



U.S. POLICY ON CONVENTIONAL ARMS TRANSFERS

Y 4.F 76/1:P 75/32

U.S Policy on Conventional Arms Tra...

JOINT HEARING
BEFORE THE
SUBCOMMITTEES ON
INTERNATIONAL SECURITY, INTERNATIONAL
ORGANIZATIONS AND HUMAN RIGHTS
AND
INTERNATIONAL OPERATIONS
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

NOVEMBER 9, 1993

Printed for the use of the Committee on Foreign Affairs



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U.S. POLICY ON CONVENTIONAL ARMS TRANSFERS

TUESDAY, NOVEMBER 9, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON INTERNATIONAL SECURITY, INTER-
NATIONAL ORGANIZATIONS AND HUMAN RIGHTS, AND
THE SUBCOMMITTEE ON INTERNATIONAL OPERATIONS,
Washington, DC.

The subcommittees met, pursuant to call, at 1:03 p.m., in room 2200, Rayburn House Office Building, Hon. Tom Lantos (chairman of the Subcommittee on International Security, International Organizations and Human Rights) presiding.

Mr. LANTOS. The subcommittees will come to order. Today, the Subcommittee on International Security, International Organizations and Human Rights and the Subcommittee on International Operations will hold jointly the first hearing of a series of hearings to examine U.S. policy with regard to the transfer of conventional arms.

I am delighted to hold these hearings jointly with my good friend and distinguished colleague, Congressman Howard Berman of California, who is Chairman of the Subcommittee on International Operations. Congressman Berman has been a leading voice in the Congress in urging responsible action to restrain both the buildup of conventional arms, as well as the effort to control nuclear, chemical and biological weapons.

As we move toward redefining the nature of the challenges our Nation faces in the post-cold war world and as we engage in a national debate over how best to defend American interests in this new era, it is essential that we evaluate our policy toward the transfer of conventional armaments. The United States, as well as a large number of countries in the international community, participate in various multilateral regimes to control weapons of mass destruction—nuclear, chemical and biological weapons—in order to prevent their proliferation and particularly to prevent their falling into the hands of so-called “rogue regimes.” There is unfortunately no similar system of multilateral constraints on the sale or transfer of conventional armaments.

There are urgent reasons for giving serious attention to conventional arms transfer policy at the present. For most of the past half century, the cold war conflict between ourselves and the Soviet Union served to contain and limit regional conflict. With the end of the cold war, many of these long-smoldering regional and ethnic conflicts have now flared into open violence. At this very time when

there is growing regional instability and diminished restraint upon the resort to violence, conditions have contributed to the greater availability of conventional weapons.

In the past few years, we have witnessed dramatic declines in conventional arms purchases in the NATO and former Warsaw Pact countries. Arms manufacturers in most of these countries have looked to arms exports as a way to cushion the decline in their traditional markets. A number of governments, which have a strong political and economic interest in minimizing the loss of jobs in the defense industry, have considered arms exports as a partial solution to some of their economic difficulties. For some Republics of the former Soviet Union and for some countries of Central and Eastern Europe, foreign arms sales represent one of the few ways in which their hard-pressed heavy industries can earn hard currency.

Further contributing to the growth in the transfer of conventional armaments is the implementation of the Conventional Forces in Europe Treaty, which has resulted in making excess a huge volume of conventional armaments located in Europe. As these weapons are removed from Europe, many are now finding their way to Third World countries.

The Clinton administration has initiated a study of our Nation's conventional arms transfer policy. A Presidential Review Document is to be issued shortly outlining the parameters of this policy review. I commend President Clinton for initiating this most timely and important study. We look forward to a hearing, I hope in the very near future, when we will have representatives of the administration appear before these two subcommittees to discuss the results of that study and the policy recommendations it has generated. Clearly, there are few policies that can make a more important contribution to stability and peace in our world.

Before turning to our distinguished panel of witnesses, I am delighted to call on my good friend and distinguished colleague, Chairman of the Subcommittee on International Operations, to make whatever opening remarks he has.

Mr. BERMAN. Thank you very much, Chairman Lantos. I appreciate your interest and willingness to pursue this along with the Subcommittee on International Operations. We both sit on each other's subcommittee and both of us have been very interested in this issue for a long time. I am very glad we are finally able to begin a series of hearings, just as the Clinton administration begins its own policy study on this particular issue.

The administration has already concluded its review of U.S. policy toward the proliferation of weapons of mass destruction. It rightly highlights the dangers to our national security and to international security that the proliferation of these weapons represent. But our concentration on weapons of mass destruction should not mean that we overlook the very real concerns and dangers represented by the huge global marketplace in conventional weaponry, much of it very sophisticated and very deadly.

One might have thought that with the end of the cold war, new possibilities for containing the international arms flow would arise. After all, since arms transfers were a major part of the international security strategy for both East and West, the motivation

to use them as a source of influence ought to have abated. Moreover, the consequences of Iraq's unrestrained arms buildup should have lent urgency to international efforts to curb the international arms bazaar.

Unfortunately, this has not happened. Instead, we have seen a new competition for markets as the domestic defense procurement budgets of the major arms exporters have declined. For the former Republics of the Soviet Union, all of which face sharply declining economies, arms sales are one of the few avenues to earn hard currency. China uses arms sales to help pay for its own ambitious military modernization program. The West, mired in recession and in the midst of a major downsizing of its defense industries, has seen exports as a way to mitigate against job losses.

All of this has meant a global conventional arms glut, and very little appetite on the part of governments to undertake restraints. Indeed, the United States has emerged as the world's largest arms exporter. Not only has our market share, now more than half of the global sales, increased relatively to other exporters, it has gone up absolutely as well. In the mid-1980's, still during the heyday of the cold war, our annual agreements for arms sales to the developing world averaged about \$8 billion. Today, they are averaging about \$14 billion. Even the halting efforts of the Bush administration to seek guidelines and notifications of arms sales among the five largest arms merchants came to a halt as China withdrew after the United States announced its willingness to sell military jets to Taiwan.

I believe it is short-sighted and dangerous to use arms transfers as a solution for economic problems. We cannot possibly sell enough to make up for the fall in defense procurement. Nor can they be seen, as some suggest, as a partial substitute for economic conversion. Selling arms to a country or a region should be a carefully thought out action based on genuine policy considerations, such as filling legitimate self-defense requirements; but arms sales should never be the result of market forces.

We have a distinguished panel before us today and I have had the opportunity to work with several of the people on the panel in various capacities and in different ways. It is nice to see them here today. Mr. Chairman, I will present the rest of my statement for the record so that we can get on with the testimony.

[The prepared statement of Mr. Berman appears in the appendix.]

Mr. LANTOS. Thank you, very much, Chairman Berman. Let me just say before we turn to the panel, in the short time she has been with us, Congresswoman McKinney has distinguished herself in a variety of ways as one of the most promising and outstanding member of the freshman class, and a very important and effective member of the Foreign Affairs Committee. I am delighted to call on her to make an opening statement.

Ms. MCKINNEY. Thank you, Chairman Lantos and Chairman Berman. Thank you for holding this hearing on U.S. policy on conventional weapons. This issue goes to the heart of our country's transition to a post-cold war international policy. In too many ways, the cold war thinking directs U.S. policy at home and in our dealings with other nations.

The Children's Defense Fund has a wonderfully provocative poster that reads, "Last year, we gave \$8 billion in military aid to countries our undereducated children can't even find on a map . . ."

For the third year in a row, the United States retains the world championship in the arms dealing competition. Not only are we the number one arms dealer in the world, but our sales exceed all other competitors combined.

For years, we sold weapons to dictators and provided military training for their officers. We armed the Shah of Iran, we armed Iraq, we armed Panama, we armed Somalia and we armed Haiti. We continue to pay for these sales with American tax dollars and American lives.

At the very least, American arms should not be sold to governments that oppose American principles. I am introducing legislation to establish a code of conduct for arms sales and transfers. I believe that this is a sensible approach that will increase the chances that we at least think about what we are doing—to ourselves, to our children and to the world.

Essentially, the legislation would prohibit U.S. military assistance and arms transfers to foreign governments that are undemocratic, do not adequately protect human rights, are engaged in acts of armed aggression, or are not fully participating in the United National Register of Conventional Arms, unless the Congress acts to approve such a sale or transfer.

We must end the U.S. role in promoting the global arms trade. Otherwise, we will not be able to accomplish the most important jobs ahead of us—investing in our children's health, making sure we all have jobs and homes, making sure we have a global economy that is growing and producing markets for the American products—and that every country on the map will be one that every child in America can identify.

I look forward to participating with the panel.

Mr. LANTOS. Thank you, very much, for an excellent statement.

Ever since coming to the Congress, Congressman Andrews has been a leader in this field. I am delighted to welcome him and call on him to make whatever opening remarks he has.

Mr. ANDREWS. Thank you, very much, Mr. Chairman. I simply want to open by thanking you and Chairman Berman for giving me this opportunity.

As you know, the committee on which I serve, the Joint Committee—well, the Committee on Armed Services, has been dealing with this issue every year that I have served on that committee. And as you all know, there is enormous pressure on arms manufacturers across the United States to deal with the issue of decreasing defense spending by increasing arms exports around the world. That has directly affected my district. It has directly affected those men and women that we send in a harms way, whether it be in Somalia, or the Gulf or Panama. And I think, Mr. Chairman, it is time for this country to assert national security and a stable planet as our first priority, rather than to have this issue driven by economic pressure.

So for your willingness to provide me the opportunity to come and join you for this hearing, and for your leadership and Chairman Berman's leadership on this issue, I thank you.

Mr. LANTOS. Thank you, very much. We are delighted to have you.

Of all of the strong voices of good judgment on the part of the various committees, our colleague, Congressman Faleomavaega, stands out. We are delighted to have you make whatever opening remarks you choose.

Mr. FALEOMAVAEGA. Thank you. Mr. Chairman, I would just like to echo the sentiments of everyone, first by my good friend, Congresswoman McKinney, and Congressman Andrews.

I will say that probably the height of contradiction sometimes in our—both in expressing our needs in our military industry is the fact that obviously more people have been killed by producing weapons systems than we had since the explosion of the atom bomb, an event of over 40 years ago. There is no question that this contradiction, Mr. Chairman, I think is something that we certainly need to explore further, given the fact that we are the largest exporter of arms in the world. Might this be a plus in terms of the military industry, but it does not speak for the fact that some of the sales that have gone into those regimes that have not exactly subscribed to our sense of democratic values and principles.

So with that in mind, I just want to express my appreciation to you and to Chairman Berman for putting this hearing together, hopefully that something substantive will come about as a result of these hearings. Thank you.

Mr. LANTOS. Thank you, very much. Before turning to the witnesses, I want to express our appreciation to the individuals who prepared this hearing: Brad Gordon, who is staff director of the Subcommittee on International Operations; Ted Hirsch and Jo Weber of the Subcommittee on International Security; Bob Blumenfield of Congressman Berman's staff; Mike Ennis and Ken Peel, the minority staff consultants on the two subcommittees; and of course Dr. Robert King, staff director of the Subcommittee on International Security.

I would now like to call on my friend, Chairman Berman, to introduce the witnesses.

Mr. BERMAN. We will hear from the witnesses in the order in which they are seated, from my right and the audience's left. Our first witness is Alan Platt, who is a senior advisor at Gibson, Dunn and Crutcher. Why would somebody from the law firm of Gibson, Dunn and Crutcher be testifying on this subject? The fact is that Dr. Platt, who I have had the pleasure of working with on this very issue—the question of conventional arms transfers and conventional arms transfers into the Middle East—has a distinguished background in this area and speaks with a great deal of expertise.

He was consultant on international security affairs; a senior staff member of the RAND Corporation early in the mid-1980's; prior to that, a national fellow at the Hoover Institution of Stanford University; and in the late 1970's and during the Carter administration, was Chief, Arms Transfer Division, U.S. Arms Control and Disarmament Agency; and a special assistant for Congressional Relations with the U.S. Arms Control and Disarmament Agency. He has written a number of books and articles on the subject. In order not to take further time in the introduction, I am pleased to welcome Dr. Platt to the hearing.

We have a copy of your prepared testimony, and we would appreciate it if you would be willing to summarize.

STATEMENT OF DR. ALAN A. PLATT, SENIOR ADVISOR AT THE WASHINGTON LAW FIRM OF GIBSON, DUNN AND CRUTCHER

Mr. PLATT. Thank you, Chairman Berman. I will summarize my statement and ask that the full statement be put in the record.

I am pleased to appear before you today to speak on the issue of U.S. policy on conventional arms transfers. I had the privilege to testify on a similar subject before two other subcommittees of the Foreign Affairs Committee roughly 18 months ago. Then, as now, the fundamental point is the same: an important and as yet unexploited opportunity exists for the United States, in the wake of the end of the cold war and the Gulf War, to devise and lead a multilateral effort to regulate conventional arms transfers. The continued relevance of this point is, unfortunately, reflective of a key fact: that the U.S. Government, despite the holding of a Presidential election last November, still does not have, as best I can tell, a considered and declared policy with respect to conventional arms transfers.

The absence of a coherent, rather than a purely ad hoc, administration policy in this area is unfortunate and in some ways surprising. During his campaign for President, candidate Bill Clinton talked about the need for limiting the transfer of ever more destructive arms to the developing world. And during his first year in office, President Clinton has periodically referred to this problem. Yet, in the Clinton administration's September 27, 1993 proclamation on nonproliferation and export control, nothing is said about American conventional arms transfer policy. Rather, in this White House announcement, it is only declared that "The U.S. will undertake a comprehensive review of conventional arms transfer policy, taking into account national security, arms control, trade, budgetary and economic competitiveness considerations."

Mr. Chairman, now is the time for the United States, the world's increasingly dominant arms supplier, to coordinate and implement concrete, bipartisan, multilateral initiatives regarding conventional arms transfers, not to engage in yet further study. Starved for hard currency, Russia is accelerating by the day its efforts to sell advanced arms throughout the Third World. Indeed, the leading Russian arms manufacturers recently were reported to have formed a new consortium organized for the sole purpose of promoting weapons exports to developing countries. A similar group has been put together in the Czech Republic. And recently, the Czechs opened a permanent office in Tehran for advanced engineering activities, while the Slovaks continue to sell T-72 tanks to Syria and chemical weapons detection equipment to buyers throughout the world.

In the Middle East, the region of the developing world that imports the greatest quantities of conventional arms, the historic peace accord between Israel and the PLO could provide new will and momentum toward a regional arms transfer restraint regime. Alternatively, if weapon transfers into this region continue to proceed in an unregulated manner, peace efforts may well be jeopardized. For example, is it not counter-intuitive for the world's arms suppliers to encourage formal multilateral arms control talks in the

context of the Middle East peace process at the same time as they flood the region with new advanced arms? And is it possible to conceive of a viable Israel-Syria peace agreement regarding the Golan Heights if Syria acquires in substantial numbers Russia's most advanced weapons?

The approach, which I will briefly propose today, in my view, is a centrist, hard-headed, pragmatic one aimed at enhancing U.S. national security interests. It focuses primarily on the Middle East and has several premises. First, as I suggested earlier, I believe we now have a rare, if not unique, opportunity to establish an effective international arms transfer restraint regime.

Second, in the absence of such limitations, the uncontrolled transfer of conventional arms into regions of high tension may threaten in new and dangerous ways American security interests around the world. We want to be sure, for example, that if the United States decides to deploy forces to Kuwait or Somalia or elsewhere, those forces will not at some point face the most advanced weapons that U.S. forces currently possess. Put another way, it is in all Americans' interest, regardless of ideology or partisanship, to want to be sure that if we have another Gulf-type war, the United States will have a good prospect of achieving the same kind of quick success with low casualties that occurred during the Persian Gulf War.

The third premise is that the only kind of restraint regime that is likely to be effective over time is one that is multilateral, not unilateral, in character. Unilateral restraint efforts have been tried in the past, including during the Carter administration—and I was centrally involved in those efforts at that time—and were found wanting over time. That being said, it is likely to be necessary in the near-term for the United States both to exercise some unilateral restraint and to exert considerable pressure on the world's other major suppliers to participate in any international restraint efforts.

The fourth premise is that the U.S. defense industry has been a crucial pillar of our domestic economy over the past decades, and will clearly remain so. However, the trend lines unmistakably show long-range growth depends on competitiveness in the civilian economy, and our emphasis must increasingly be shifted there. A policy of looking to arms exports for economic growth is an unpredictable and unreliable way to help ease the severe problems facing the U.S. defense industry and our national economy, a fact that Deputy Secretary of Defense Bill Perry has rightly been underscoring in recent speeches.

In light of these premises, I recommend, and here only in summary form, a few points for your consideration. These suggestions should by no means be seen as exhaustive, but rather as starting points for future discussion and elaboration.

First, the United States should immediately step up diplomatic pressure to reconvene a forum of the world's five—five of the world's largest arms suppliers, or among four nations if China chooses not to participate. Together these countries account for over 90 percent of the international arms trade, and in the short run, their consensus on selective restraint measures could be highly effective. It is important, however, that they jointly announce at

the outset of any of these discussions that their eventual goal is to broaden the process to include other, second-tier arms producers and ultimately arms purchasers as well.

Here, I might note that when I appeared before the Foreign Affairs Committee roughly 18 months ago, I proposed that any arms transfer restraint efforts in the Middle East should be focused on military-technical issues and should not be linked to regional political questions. Associating conventional arms transfer limitations to an overall Middle East peace settlement, I argued, might hinder progress on the former while contributing relatively little to the latter.

Now, following the historic breakthrough in relations between Israel and the PLO, I believe that the establishment of an arms transfer restraint regime might, in fact, benefit from "piggy backing" onto recent political developments in the Middle East. High-level world attention remains focused on political and economic developments in that region, making the achievement of a consensus toward limiting arms transfers there more possible. Moreover, regional participation in international arms transfer restraint discussions might be a valuable confidence-building measure in the context of overall peacemaking efforts in the region.

My second recommendation is that international discussions about conventional arms transfer restraint should focus on weapons or sub-systems incorporating technologies that are not currently in a given region or are in that region in very limited quantities. The objective would be to ban the introduction of new types of advanced weapons or sub-systems that could stimulate new rounds of arms transfers or significantly alter the balance of forces in a given region. Such an effort would have to be led by the world's major arms suppliers.

Illustratively, it might start with banning the export of the most sophisticated systems into certain regions—systems such as stealth aircraft, surface-to-surface missiles, long-range cruise missiles, space-based real-time targeting systems. Following agreement on these sorts of very advanced systems, international talks might then move on to consider limits on progressively less sophisticated weapons and sub-systems.

But these efforts have to begin somewhere, and it strikes me that while these systems do not exist in regions like the Middle East, now is the time to think about getting international agreement to keep them out.

Third, the voluntary U.N. registry of major arms transfers has, in my view, been a positive first step toward greater transparency. It should be followed up by concerted efforts to make participation mandatory, and an effort should be made to create a mechanism for reporting prior to arms delivery rather than after the fact, as is now the case.

Finally, it seems to me the United States should play a lead role in encouraging a series of regular meetings among the world's major arms suppliers to explore possible joint efforts concerning the growing overcapacity in the world's arms market. This structural problem confronts industrialized countries as well as second-tier suppliers. These multilateral meetings would address such issues as defense procurement practices, unemployment problems, struc-

tural adjustment policies and other issues, with the aim of fostering a coordinated multilateral military build-down.

President Clinton has called for an international summit meeting on jobs, and it seems to me that a discussion of over capacity and resulting unemployment in the defense industry would be a logical subject to bring up at such an international meeting.

It is difficult to estimate the possibility of successfully establishing a regime to limit selectively conventional arms transfers. It is certain, however, that the circumstances for doing so have seldom, if every, been so favorable. And given that the only true certainty in the world is change, it is likely they will not remain so indefinitely. In May of 1991, President Bush said that it would be tragic to miss the opportunity that was then unfolding to establish a conventional arms transfer restraint regime. We have not lost this opportunity, but we have been slow in seizing it.

The best explanation for this, I believe, can be found in a recent observation made by Tony Lake, the President's National Security Advisor, with regard to how this country sometimes approaches foreign policy issues. "All too often," he said, "we confuse the immediate with the important, and we do so at our own peril." Establishing selective multilateral controls on sophisticated conventional arms is extremely important. Fortunately, there has been no recent crisis to bring it into public focus as an immediate issue. Yet, the historic opportunity the Clinton administration has to establish such a regime is, if not immediate, likely temporary and brief.

I applaud the continuing efforts of both of these subcommittees to encourage the administration, whichever administration, to pursue multilateral arms transfer initiatives and I am ready to answer your questions. Thank you.

[The prepared statement of Mr. Platt appears in the appendix.]

Mr. BERMAN. Thank you, very much, Dr. Platt, for your very interesting and concrete testimony. My next witness is also familiar to the Foreign Affairs Committee. He is the vice president for the Aerospace Industries Association of America, which is a trade association representing 50 of the major manufacturers of commercial, military and business aircraft, engines, missiles, spacecraft, and entire related components and equipment. He coordinates the efforts of the AIA to obtain government policies which support exports, avoid protectionism and pursue fair principles of international trade.

Prior to that, he was vice president for ALESA, an organization of a number of corporations and some unions that also sought to facilitate and encourage the export of defense-related goods and services. My personal experiences is that Joel Johnson does a tough job—not tough enough, unfortunately, but a tough job very, very well and makes an excellent case for the organizations and groups that he represents. And it is a pleasure to have him with us today. Joel.

STATEMENT OF JOEL L. JOHNSON, VICE PRESIDENT, INTERNATIONAL AEROSPACE INDUSTRIES ASSOCIATION

Mr. JOHNSON. Thank you, Mr. Chairman. The subject of arms transfers is obviously an important one in the aerospace industry, which I suppose in terms of dollar volume accounts for the bulk of

those exports. Let me just touch briefly on the state of arms trade and how that trade affects the U.S. industrial base, and then suggest some guidelines for what we, in industry, might consider a sensible arms transfer policy.

About 20 percent of this country's production of conventional weapons is currently exported. That is lower than for most producers of defense equipment, but higher than is traditional for this country. I would expect over the remainder of the decade that exports of defense equipment will probably go up to 25 percent or more of conventional production, both because total production has dropped and also because I would expect arms exports, barring major changes, will probably hold roughly constant to what they are now.

Let me touch on three myths concerning arms sales, which I think should be addressed at this point. If one after all does not analyze the problem correctly, the solutions probably are not going to be very useful either. First, there is the notion that as the world's leading arms exporter, this must imply that the United States does not apply much restraint on its exports. And if we are to get other countries to cooperate, we have got to do more.

But in point of fact, that the United States should account for more than half the world's market of defense products is not particularly surprising. We have had a defense budget roughly double that of all of Western Europe put together. We have had R&D in defense equipment probably triple that of Europe over the last couple of decades. And if you take a similar industry, the commercial aviation industry, which includes most of my companies, you will note that we have over 70 percent of that market. And indeed, many in Congress and many in the administration think that percentage should be higher, and would be higher if it were not for practices of other competing governments.

So in one sense, you could say the appropriate question is not why are we as high as 50 percent of the world defense trade, but why are we as low as 50 percent. I think the answer is pretty clear, that is the case because the United States currently maintains the most restrictive regime on defense exports. Were you to have a clearly open market, we would probably be at the 70 to 80 percent range, and we should blush if we could not do that, given the amount of money the American taxpayers spent on this industry.

So, again, it seems to me the first point I would make is that the question is not why so much, but why so little; and the answer is because we are more restrictive than the other countries we compete against. I am not arguing that is a bad thing. I am just arguing that as a point of fact.

Secondly, you do have the argument, Alan mentioned it, I am sure I will hear it later in this panel, that the U.S. industry is using defense exports as a way to avoid change. Now for an industry that is firing 100,000 people a year, that is a little hard to take. We are rapidly adjusting, much faster than the government, to change. By the time there is a conversion program in place by this Government, we will probably be two-thirds to 70 percent of the way to adjusting to lower defense programs.

By the way, it does not take a rocket scientist, and my industry has a lot of rocket scientists, to figure out that when you go from

\$100 billion to \$50 billion in procurement, a billion dollars one way or the other in exports is not going to solve the problem. On the other hand, there are not many people in my industry that would happily turn over \$1 billion worth of jobs to the Europeans in defense if it is for countries which are acceptable for U.S. foreign policy, any more than we would like to turn over \$1 billion worth of jobs in civil aviation to our competitors.

And finally, I think it might be pointed out that while it is true that both we and other companies in European and in the former Soviet Union are all pushing harder in the export market, I am rather dubious that is going to change the size of the market. And, in fact, if one looks at ACDA numbers, SIPRI numbers, CRS numbers, there is a pretty consistent pattern that arms exports over the last 5 years have decreased each year. What is happening is the companies out there are fighting more for a diminishing market, not that you have created a larger market.

Similarly, there are some misassumptions, I think, on the Third World that might be touched on briefly. One is this concern that 40 million people have died in the Third World as a result of civil and international wars fought with conventional weapons during the cold war. That is true, but I think it is worth looking at what they died from. In most cases, it was disruption of agriculture, food distribution and medical distribution. Those who were killed by weapons were by and large killed by small arms, mines and light artillery, none of which seem to be the concern of the perm five, the U.N. register, SIPRI, et cetera.

You can abolish all trades in weapons platforms and have very little effect on death from violence in the Third World. You have got to somehow get at the reason for the violence. Certainly that is true if one looks at Somalia, if one looks at Burundi. You are not looking at anything larger than a recoilless rifle and a jeep in those countries.

Second, there is the presumed link between expenditures on defense versus development activities. Common sense would tell you there ought to be some correlation. On the other hand, the region of the world that has consistently spent the least on weapons and on defense is sub-Saharan Africa, which consistently over the last three decades has had the worst development record. Countries such as Korea and Taiwan, which have had very high expenditures on defense, had three decades of the most outstanding growth, and incidently, a steady move toward democratization. This is not to say buy weapons and you will grow, it is to say that there is no clear correlation and that it is much more complicated than that.

And finally, if there were a connection between arms transfers, poverty and war within and among poor countries, U.S. arms transfer policy cannot do very much about it. Again, if you look at the last decade of the Arms Control and Disarmament Agency's data—unfortunately, they only go up to 1989; we are patiently awaiting the next publication—you would find that the U.S. only accounted for about 5 percent of all arms transfers to Latin America, sub-Saharan Africa and South Asia, which is where about 95 percent of the poor people live in the world. If you were to have eliminated all U.S. arms trade to most of the poor countries in the

world over the last decade, it would have made almost no difference to them and almost no difference to our industry.

Given that background, what does make sense. Quite clearly, there are three approaches you can take on arms transfers. One is to get the countries in the region to do something about where they are going. It seems to me that is the area, perhaps, where the United States has been least effective or exerted the least amount of energy. What we have seen time and again is if countries really want to get a weapon system badly enough, if they have money and intellectual capability, they will either make it or find a place to get it from.

Secondly, you can work together in a multilateral basis to control the spread of technology and weapons systems. And obviously, to be effective, you have got to have participation by most of the countries that have the capabilities.

And finally, you can unilaterally limit exports of certain technology and weapons systems. There are basically two reasons to do so: either you have a monopoly on it, in which case your controls actually may be effective; or you have got a country that you find so reprehensible that even if you know it is going to get stuff from other people, you do not want it to be Americans. Iraq is a good example of that.

I would note that unilateral self restraint has not proven terribly effective in the past. A couple of examples: Iraq, of course, managed to arm the world's fourth largest military without us. Contrary to popular belief, we did not arm Iraq. No U.S. soldier faced a U.S. weapon system in Iraq. Similarly, the United States has never sold, for its own internal reasons, a diesel submarine—a modern diesel submarine to anybody. There are about 40 countries with such submarines and about 7 countries that export them today.

Again, obviously, where we would come out, if you recognized that most of what kills people is small arms produced by at least 40 countries in the world, and that even things such as weapons of mass destruction and deliveries—crude delivery systems—are half-century old technology. You have got to somehow deal with conflict resolution over the long haul. Multilateral and unilateral restraints can certainly have an impact in the short run; but in the long run, you have got to find longer-range solutions.

We are running short on time. Let me just note—and my testimony covers more fully some of the things that we would like to see our Government to do in those cases where an arms transfer is deemed appropriate and, indeed, supportive of U.S. foreign policy. I guess the bottom line I would make here is that we would hope that exports of defense equipment should be controlled through the licensing and congressional review process, not by imposing other obstacles in the course of doing business. Most of what you will see in my testimony is that where the defense industry has asked for cooperation from the government, it has not asked for anything other than that afforded to all other industries and to agriculture.

To conclude, therefore, I guess number one, we would urge the United States to play leadership in encouraging regional groups of countries to voluntarily limit the quantity and quality of weapons

going into their regions; to encourage supplier nations of types of weapons and technology to agree to multilateral efforts to control such technology and weapons; to make available appropriate weapons systems to friendly governments which have legitimate defense needs; and when you do so, to encourage them to buy United States rather through someone else.

I think you can have a two-track system and we certainly would look forward in industry to working with both the Congress and the administration in coming up with such a two-track system. Thank you.

[The prepared statement of Mr. Johnson appears in the appendix.]

Mr. BERMAN. Well, thank you, very much, Joel. Our next witness is Dr. Caleb Rossiter, who founded and is now the director of the Project on Demilitarization and Democracy. His main field of expertise is U.S. foreign policy, particularly in the issue of militarization in the developing world, and tie-ins between militarization and human rights, the environment and development. He has written a great number of books and articles in this area.

Prior to this position, I knew him for a number of years when he was deputy director for Foreign Policy of the U.S. Congress' Arms Control and Foreign Policy Caucus, from 1984 to 1990. He has been a great resource to many of us on the Hill on these issues for a very long time and we welcome you to this hearing. Dr. Rossiter.

STATEMENT OF DR. CALEB S. ROSSITER, DIRECTOR OF THE PROJECT ON DEMILITARIZATION AND DEMOCRACY

Mr. ROSSITER. Thank you, Chairman Berman, Chairman Lantos and members of the committee.

Today, I am going to do two things in my brief testimony, and I will submit my full statement for the record. One is to preview an upcoming grassroots national campaign, called the Code of Conduct campaign, to put pressure on the Clinton administration to bar arms transfers to dictators, human rights abusers and countries that do not cooperate in international security regimes. The other is to actually take on the constant argument about "jobs, jobs, jobs," and to show that leaving strategy and morality aside, there are some real reasons why the net affect of current U.S. arms transfer policy is to cost America jobs.

I am honored to be here today with you, both because of whom I am speaking to and whom I am speaking for in this capacity. As Congressman Berman mentioned, I have spent a lot of years helping out behind the scenes for members like yourselves, particularly on the Committee on Foreign Affairs. And Congressman Berman has—and this committee has—played a big role in bringing to an end an era of war in Central America. And so, I am very grateful to be here today as you take on this new challenge that has so much affect on so many wars across the world.

And whom I am speaking for, frankly, are the many groups represented in this room today who are joining in the roughly 50 organizations—arms control, human rights, international development, women's groups, religious groups—who are supporting this Code of Conduct campaign that will be kicked off later this month. These

are the groups that really created the citizen foreign policy initiatives you all heard so much about in Congress because you were hearing from your constituents on a nuclear freeze, and on aid to the contras, and on famine relief for Ethiopia back in the 1980's. And these groups are coming together again because they see that all of their goals cannot be met unless there is a dramatic reduction in conflict and armament worldwide.

I would like to explain why this Code of Conduct campaign is necessary, first of all. We have been to the administration asking for their leadership on this issue. And as you have heard alluded to a little earlier in the hearing, there really is no U.S. policy on conventional arms transfers right now. Yes, there is a study underway; but in the meantime, there has been a vacuum. And the result of that vacuum is a policy out of control, and record levels of arms sales to the developing world in President Clinton's first year, which will be what the numbers show you when they tally it up.

We have even been told that the administration really cannot deal with this issue effectively until the second Clinton term. They will not be able to take on the arms exporters, and their campaign contributions, and their constant cry of jobs, jobs, jobs—which also means profits, profits, profits, since we are not in a socialist system last time I checked—until the second term.

And frankly, I do not think we can wait that long. If we continue to focus just on nuclear proliferation, as Chairman Lantos noted the Clinton administration has, we are going to miss the connections. The fact is that conventional weapons, as my colleague, Mr. Johnson, has noted, have been weapons of mass destruction: 40 million people dead as a result of conflict since the last nuclear device was exploded. And if the committee thinks that China would be so unresponsive on the M-11 missile parts and on conducting nuclear tests without our arms sales to Taiwan during the last Presidential election season, I think we have to think again. These issues are related. We should not separate them out.

The administration could not even figure out what to do about the only arms transfer battle really of the year, the Kempthorne and Andrews amendments that were being fought out in conference. It was hard to see what their position was. At one point, the Department of Defense weighed in by saying, "We're neutral." Now, how can you be neutral on a plan that created a new arms export bank in an over-militarized world? There needs to be leadership or we are going to see similar policies.

Frankly, I think Congress has got a huge role to play here in prodding the administration to move toward a multilateral system where countries that misuse weapons, the unelected governments of the world, the human rights abusers, simply should not get them from any source. And we have to lead.

Ten years ago when I was with the Congressional Research Service, I assisted Senator Byrd, who came out with a study and a bill that would have turned the arms transfer process on its head. It would have required the approval of Congress for sales to developing countries of major weapons systems. Now that went nowhere. And I am sorry to say we are paying the price, because arms transfers to dictators and repressive governments became a normal tool of U.S. foreign policy in the 1980's.

In the last three deployments for combat, Panama, Iraq and Somalia, U.S. troops faced weapons or weapons technology financed, or even provided, by the United States as a matter of policy. And if we go into Haiti soon to try to clean up the mess in Haiti, we will be facing again a U.S.-armed and completely U.S.-trained armed force there. So, I am concerned that arms transfers to dictators that are taking place today are creating tomorrow's Somalias, tomorrow's Haitis, tomorrow's Iraqs, and Panamas.

I have evaluated the composition of the expansion of U.S. arms exports to developing countries from roughly, as we have heard earlier, about \$7 billion in the end of the cold war period, to about \$16 billion a year today. If you take the Department of Defense listing of who those countries are, and the State Department listing, the Country Reports on Human Rights, you will see which countries are not democracies, are not—people do not have the right to change their government peacefully. You will see that typically 80 to 90 percent of U.S. arms transfers go to unelected governments, or governments not elected in a free and fair fashion.

Now in 1993, this percentage will bounce back up to around 90. And I need to make clear to the committee that we are asking for your help in taking this issue on, because this year there will be roughly \$20 billion of U.S. arms transfers to unelected governments; a record year.

Now that policy, as we have seen from the mentioning of other countries, is a strategic disaster. It is a moral disaster. But as this committee knows, we rarely talk about that anymore. It is all "jobs, jobs, jobs." And so, I really want to take the last few minutes of my testimony and talk about that.

I would argue to the committee that there are four reasons why the net effect on the U.S. economy is to lose jobs in the current arms exporting business. Now how can I say that when both the Aerospace Industries Association and Dr. Greg Bischak of the National Commission on Economic Conversion agree that roughly \$1 billion in arms exports maintains about 35,000 job years? Those jobs usually are averaged out over 3 to 7 years—so let us take 5. Roughly every billion dollars in arms exports maintains about 7,000 U.S. defense jobs.

With last year's sales to developing countries, according to the Congressional Research Service, being about \$14 billion, how can I say that 90,000 jobs are going to be a net loss for the U.S. economy? Again, there are four reasons. The first, and I will briefly summarize, is called offsets. It is the dirty word of the arms exporting business. These are arrangements in which if you make a sale, you have to help the foreign country market things in the United States.

Lynn Davis, the Undersecretary of State for security matters, has, of course, said the United States is against this. It distorts markets. It cost U.S. jobs to bring Polish hams, and Turkish carpets, and aircraft parts from other countries back here as part of these sales. But, everybody is doing it because the market is so tight and we cannot stop it. So a lot of those jobs, jobs, jobs disappear with the offset arrangement.

The second reason arms exports cost jobs is foreign aid. This committee appropriates about \$5 billion a year for military exports.

So, therefore, about a third of the jobs that we create in the arms industry by exporting, we pay for anyway out of our pockets. And even the cash sales, like Saudi Arabia's purchase last year of the F-15, immediately resulted in Israel and Turkey needing, and getting, more advanced fighter aircraft and missiles, which again the taxpayer paid for. So there really is no net benefit there.

The third reason why arms exports cost jobs is found in the Pentagon. The greater the threat, the larger the Pentagon budget. We understand that. But look at the price that we are paying. In Somalia, we sold \$195 million worth of weapons over the 1980's. That is jobs. That is roughly 1,300 jobs according to these calculations. But, we spent \$2 billion sending our forces in to clean it up. That is a 10 to one exchange ratio of jobs, and I do not think that is a good ratio to maintain.

Finally, the reason that I work on this issue and many of the development groups that are involved in the Code of Conduct campaign work on this issue is because the international economy is being battered by militarization and arms sales: \$200 billion in military spending. U.S. export jobs are greatly dependent on growth in the Third World. And if these countries are spending four times as much on their armed forces as they get in foreign aid, we are going to lose jobs as well.

That sounds like a very selfish thing, to say we are concerned about Somalia, or El Salvador or Angola because they are not going to buy anything from the United States when people are dying. But, I can cite as a source for that one of the most respected Members of Congress in my acquaintance, the late Mickey Leland, who before he left on his last trip to Ethiopia introduced a report, which I assisted him with, which made these arguments; and it was Mickey Leland who very specifically said, "The human loss is tragic, but the economic drain is incredible." If Mickey was willing to talk about the economic impact on us of a world at war, I certainly am too.

Very briefly, in my closing minute, Mr. Chairman, I would like to explain this Code of Conduct campaign. It is a grassroots campaign that 50 organizations will kick off in about a month to deny U.S. arms transfers to unelected governments, human rights abusers, and countries that do not cooperate in the U.N. arms trade registry. As Ms. McKinney has pointed out, she and Senator Hatfield will be introducing legislation to implement this by requiring Congress to approve transfers to countries that the administration decides do not meet that definition.

This is an international effort. Conservative Member of Parliament, Emma Nicholson, who some of you met last month, will be introducing companion legislation in the British Parliament. The British group Saferworld has worked on a Code of Conduct in the European Parliament and many individual parliamentary bodies. This does have to be multilateral; but the argument that if we do not sell, they will is not true. The question should be: if we lead, will they follow?

Now, on land mines this year, where the United States unilaterally banned the export of land mines, rather than other countries filling the gap, we now have 50 cosponsors on the Clinton adminis-

tration's initiative at the United Nations for all countries to ban the export of land mines.

That is an example of what U.S. leadership can do on all arms exports. I urge the committee to endorse this Code of Conduct effort. I urge you to cosponsor this McKinney-Hatfield legislation, to implement it, and really make our policy one of supporting democracy abroad, which does not mean providing the means of violence and control to dictators. Thank you, very much.

[The prepared statement of Dr. Rossiter appears in the appendix.]

Mr. BERMAN. Thank you, very much, Caleb. I am wondering if we should recess quickly, and come back for the final two witnesses and then go to questions.

[Recess.]

Mr. BERMAN. I apologize for the delay. They spent a long time trying to turn votes around. And having failed, they kindly ended the vote. And I might just add parenthetically that this hearing, which we have spent a long time developing and waiting for, of course, would come on the exact time that a bill—that is my bill—is now on the House floor. So at some point soon, I am going to have to leave and I will ask—if Mr. Lantos has not returned—I will ask Mr. Faleomavaega to chair the subcommittee. I apologize to all of the witnesses. It is not out of lack of interest, it is out of a tremendous sense of bad timing that I must leave.

Our next witness is William Hartung, who is an internationally recognized expert on issues of arms trade and the economics of military spending. He currently serves as director of the project on the control of international arms trade at the World Policy Institute at the New School for Social Research in New York City. And prior to joining the Institute as a research fellow in 1985, Mr. Hartung worked for 6 years as a research associate and project director for the New York-based Council on Economic Priority where he ran the Council's Conversion Information Center. He is the author of numerous books, studies and articles on defense issues. And we are very, very pleased to have him with us today. I appreciate your patience.

STATEMENT OF WILLIAM D. HARTUNG, SENIOR RESEARCH FELLOW, WORLD POLICY INSTITUTE AT THE NEW SCHOOL FOR SOCIAL RESEARCH

Mr. HARTUNG. Thank you, Chairman Berman. I would like to thank Chairman Berman and Chairman Lantos for holding these timely and important hearings, and for the leadership you have shown in keeping this issue on the agenda. There is no question that a reassessment of our conventional arms sales policy is long overdue, and it was in part due to your efforts over the summer that the administration has launched the review that is now underway. I hope that these hearings and subsequent hearings help to shape the direction of that policy in the years to come.

I have been an analyst of conventional arms trade issues for close to 14 years. And I would say that this period is one of the most hopeful periods in terms of coming up with a way of controlling the international arms trade of the entire time that I have worked on this issue. I think the policies adopted by the U.S. Gov-

ernment over the next few years can make a critical difference in whether this new post-cold war era is going to be marked by relative peace and prosperity, or by growing violence, conflict and disorder.

As was mentioned in the opening statements, the cold war is over, but the world is still at war. The *New York Times* did an analysis earlier this year where they documented four dozen ethnic and territorial conflicts that are now underway on five continents. And from the Gulf War to Bosnia to Somalia, imported weaponry has been at the center of the most destructive, most destabilizing conflicts of this emerging post-cold war era.

It is my belief that any kind of workable plan for a post-cold war security order has to include some system for controlling the spread of conventional armaments and military technology to regions of conflict. There is simply no way that we can ignore this problem in the world that we now live in.

In the past, efforts to control conventional arms sales, whether it was the Tripartite Agreement between France, Britain and the United States in the 1950's, the Carter administration's attempts to get conventional arms transfer talks going with the Soviet Union or the recent P-5 process, have all been marked by a willingness to compromise the objective of arms transfer restraint in favor of what are perceived as more immediate, economic, political, or security objectives. I think a good example of that in recent times was the F-16 sale to Taiwan last year, which was the final straw in pushing the P-5 talks off track.

What I would like to urge the Clinton administration to focus on in its policy review and have the subcommittees consider, is that in this new era, control of conventional arms transfers has to be a priority objective of our national security planning process. It cannot be just a secondary issue that is pushed to the side by more immediate concerns, because the long-term impact of those kind of compromises is to create a much more dangerous world; not only in the recipient regions, but for U.S. forces and for the citizens of this country.

So given that history of compromise, I think a first step in the Clinton policy review should be to elevate the control of conventional arms sales to the very top order of its concerns, at a comparable level with their concerns regarding proliferation of weapons of mass destruction.

The question that presents itself first of all in this issue is why does arms transfer policy matter. And I think the role of conventional arms in fueling these conflicts that I mentioned is the primary reason that it matters. There is a great danger that the post-cold war era could be more violent than the period that we have just come out of, if we do not do something to put a lid on transfers of conventional weaponry. In that regard, the U.S. policy is critical.

If the United States takes the lead, significant progress can be made. If the United States holds back and proceeds with a business as usual policy, very little is possible. And I say that primarily because the United States is in such a dominant position in the international arms market as we meet here today. Whether you look at the Stockholm Peace Research Institute analysis of transfers of major weapons systems worldwide, where the United States con-

trolled about 46 percent of the market in 1992—four times its closest rival—or you look at the Congressional Research Service analyses of all kinds of conventional weapons transfers to the Third World, where U.S. controlled 57 percent of the agreements again for 1992, there is simply no other nation that has that kind of market dominance. And there is no way that any other coalition of powers could have the impact that a change in U.S. policy would have.

So, I think for that reason alone any kind of progress toward multilateral restraint is going to depend fundamentally on aggressive and assertive leadership from the United States; not just the kind of rhetorical support that we saw during the Bush administration that was not followed up, in my opinion, by enough serious effort to get agreements with other countries and to change our own policy as a way of showing that leadership.

The question then is why is it in our interest to limit arms sales. There are plenty of moral reasons to limit arms sales, because of the killing and suffering that they cause. But, I think in addition to that, in this period, it is in the U.S. security interest in a very fundamental way to limit arms sales. As was mentioned in the letter that you, Chairman Berman, and you, Chairman Lantos, sent to President Clinton this summer, the last three times the United States has sent troops into combat in significant numbers—in Panama, in Iraq and Somalia—they faced forces that had U.S. weapons or U.S. military technology provided to them in the period leading up to that conflict.

And while the details were different in each case, the results were depressingly similar. We had the Noriega regime, which for many years received U.S. military aid and military training, and when George Bush decided that Noriega was no longer a friend of the United States, but was now to be defined as an international outlaw, the U.S. troops sent to Panama were forced to face his military forces which had been trained and armed by our own Government through military aid programs.

In the case of Iraq, the channel was slightly different. It was primarily transfers of military technology, which was used in the production of weapons systems. And so when people say we did not arm Iraq, I think they ignore that important contribution to Iraq's military potential.

Finally, in the case of Somalia, it was U.S. military aid provided during the Carter administration initially, and then throughout the 1980's to the tune of close to \$300 million. And that military aid helped the Siad Barre regime to maintain itself in power. It was a vicious dictatorship that not only repressed its own people, but helped run Somalia's economy into the ground, to the point where there was almost no other option than the kind of violent civil war that broke out after he was overthrown. And, unfortunately, our Government was so focused on the alleged geopolitical benefits of arms sales, such as access to Somalia military facilities and the notion that it would create stability in the Horn of Africa, that they paid very little attention to how these weapons actually tore apart Somalia's society. And many of those arms—things like recoilless rifles, military trucks, armored personnel carriers, land mines—are

precisely the kind of weapons that fell into the hands of the rival factions that U.S. forces are still facing in Somalia even now.

So whether it is at the high-end of the scale, whether it is military aid, whether it is dual-use items, whether it is small armaments, the point is that U.S. arms, time and again in this short span since the end of the cold war, have come back to face our own troops. And I think that is going to be even more likely to happen in the future because there is just no predictable alliance system. We cannot tell who is going to be in power in a given country 5 or 10 years down the road, or even if that country will exist with the same borders and the same form it exists in today. So, I think a note of caution alone would argue that we put limits on our sales to regions of conflict. Do not assume that we can use arms sales as a lever of influence, as was attempted during the cold war with decidedly mixed results.

The other reason that it is manifestly not in the U.S. interest to continue a policy of unrestrained arms sales is because it generates regional arms races. When Secretary Aspin did his Bottom-Up Review of U.S. defense forces, he pointed out that the most likely contingencies faced by U.S. forces would be regional conflicts with aggressive regional powers, such as Iraq or North Korea. Now link that with the fact that in those regions, in the Middle East and Asia, the United States is the leading arms supplier. And even in the cases where we are not arming our potential adversaries, we are contributing to a regional arms race dynamic.

I think a strong argument can be made that if regional conflicts are the greatest threat to our forces and to our country, we should make it our business to limit arms sales, our own sales and those of our allies and any major suppliers that we have leverage with to those regions of conflict, rather than participate in this arms race dynamic where we help to create the actual threats that our military forces are then forced to address later down the road. So, both economically, as Caleb Rossiter mentioned, and in security terms, that would be the most viable strategy, to put the kind of energy into limits on arms to regions of conflict that we are now putting into building up for the possibility of intervening in those areas.

There is much more to my testimony that will be submitted for the record. I would just like close with two points. One is a brief comment on the role of economics and the defense industrial base, and the other is some recommendations of where I think policy should go in this area.

On the issue of economics, the simple fact is economics should not be driving our arms sales policy. But as we saw in the lobbying campaign for the F-15 sale to Saudi Arabia, as we saw in the kind of slipshod and quick review process for the F-16 sale to Taiwan, economics were, in fact, driving our arms sales policy last year during the election campaign. And the fact that the sales, themselves, were announced as part of campaign-style rallies in front of cheering defense workers clinches the case, that whatever was said about security issues, this was pork barrel economics at its worst. And I do not think we can afford that in this dangerous world that we now live in.

So, I think, first of all, we have to take a realistic view of what the economics are. The fact is that in a good year, there might be on the order of 350,000 jobs in the arms export sector, which is less than one-half of 1 percent of our entire work force. So it is certainly not the case that our entire economy depends on this activity. The Congressional Budget Office demonstrated that a significant approach to limiting arms purchases in the Middle East might cost on the order of 75,000 jobs in the U.S. defense industry, or less than one-tenth of 1 percent of our entire work force.

Rather than trying to make our arms export policy a way of supporting and sustaining those jobs, we need a much more aggressive policy of economic conversion, of promoting civilian exports, of coming up with jobs that have a future, not only for the people of this country, but for the people in regions of conflict.

On the defense industrial base, I think there are two points to be made. First of all, we do not need the same kind of defense industrial base we had during the cold war. The kinds of conflicts that are being pointed to, like the Iraq conflict, do not require the kind of readiness, the kind of buildup, the kind of across-the-board search/surge capacity that was contemplated during the period when there was a Soviet threat. And so, therefore, it may not be necessary in all cases to have the kind of ready production lines we had in the past.

But if there are areas where there is a consensus that a given production line is needed, arms exports are the worst possible way to sustain the defense industrial base because they can help sustain the very threats that that base is meant to address in the first place. And whether it is through low-rate production, or more use of commercial technologies, any other way of sustaining significant defense production capabilities would be preferable to using in arms sales as a way to do it on the cheap. In the long term, we pay, in lives, in security, and ultimately in dollars for that kind of short-sighted policy.

So that brings me to my recommendations, and I will be brief since we have already used up most of our time. I see three broad outlines for a new arms transfer policy in this era. First of all, I think there has to be a top priority emphasis on arms transfer controls as a central tool for preventing conflicts and reducing threats in the post-cold war era. I think that is the bottom line—instead of and in priority to things like commitments to particular allies, or access to particular bases; and in preference to the kind of case-by-case approach that has led to policy gridlock and has not allowed us to come up with a true and consistent policy on limiting arms sales.

In that regard, a revival of the perm five arms transfer reduction talks would be in order, possibly including Germany. And I think whether or not China joined in, it would be important to get those talks going again. I think they could focus on concrete limits on offensive conventional armaments of the types that were discussed in the Conventional Forces in Europe treaty. Also, there should be some attention paid to limiting antipersonnel weapons, particularly inhumane weaponry like antipersonnel land mines, cluster bombs, things that may be considered to be banned outright. And it is possible that this perm five process could bring those kind of sugges-

tions to the Committee on Disarmament in Geneva, or to other broader multilateral bodies.

I also think multilateral talks would be a good place to start putting some limits on coproduction and offsets. There must be steps taken to limit the spread of arms manufacturing technology. Our country is the leading participant in those kinds of arrangements.

The second major place where we need to do work is in the area of accountability. Whether it was Iran-contra, or whether it was Iraqgate, you can go down the list of recent fiascos in U.S. arms sales policy over the last two decades and you will find a startling lack of public accountability. It is my belief that if there had been more openness at the outset, less reliance on covert arms sales, and more public information about things like dual-use sales to nations like Iraq, a lot of these foreign policy disasters could have been prevented. So, I would like to see a much more open and accountable system in these two areas.

On conventional arms sales, there are two things that can be done. First of all, our country should be a much more willing participant in the U.S. arms register. We should report more detailed information than the kind of grudging report we made this year. And we should encourage our close allies and recipients, like Taiwan and Saudi Arabia, who did not report, to participate in that process.

The other thing that has to happen is that the whole question of who this country arms has to be much more visible, and much more subject to democratic debate. And in that respect, I think the Code of Conduct legislation that Representative McKinney will be introducing and that Caleb Rossiter described in some detail will be an important step forward, so that the country makes these decisions with our eyes open, in a democratic fashion. These decisions must be made in a way that ensures that the consequences are known to the public, not a year or two after the fact when the next scandal emerges, but beforehand; that there is a full and open debate before we enter into these arrangements.

The last thing I would say is that there has to be an effort made to reverse the economic incentives for arms exports. That would include scaling back on the close to \$5 billion a year that is used to directly or indirectly subsidize weapons exports—taxpayer dollars that go to that purpose. The use of military personnel at air shows should be strictly limited. The Clinton administration made an important step in that direction at this year's Paris Air Show, and I would like to see that continued.

In general, I think the administration has made a number of positive small steps in this area. They were not particularly supportive of legislation for loan guarantees for arms exports. And I hope that they do not take up the opportunity that has been created, but rather forgo the \$1 billion loan guarantee program that has been authorized by the Congress and come up with a more forward-looking approach that says they are going to take resources out of arms sales promotion and put them into development of commercial products.

That is a summary of what I have submitted for the record. Again, I would like to thank the subcommittees for this opportunity to testify. And I very much appreciate your leadership in trying to

create an informed national debate on one of the most important security issues of the post-cold war period.

[The prepared statement of Mr. Hartung appears in the appendix.]

Mr. FALEOMAVAEGA [presiding]. Thank you, Mr. Hartung. If the chairman did not state previously, I will state it now, that all of your gentlemen's statements will be made part of the record in full.

Our next witness is Mr. William Inglee. He is currently the executive director of the Wednesday Group here in the House of Representatives. The Wednesday Group is composed of approximately 40 Republican Members of the Congress, and the group is dedicated to the pursuit and development of constructive policy, ideas and initiatives designed to improve the well-being and security of the American people. That is pretty good.

Mr. Inglee previously served as acting assistant secretary of Defense for International Security, extensively involved in national security issues; a graduate of the Foreign Service Institute out of Georgetown University and also the Calgary University of Canada; and a former staffer, himself, served also as a member of the staff on the House Foreign Affairs Committee. Mr. Inglee.

STATEMENT OF WILLIAM B. INGLEE, FORMER DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CONVENTIONAL FORCES AND ARMS CONTROL POLICY

Mr. INGLEE. Thank you very much for the invitation to appear before you today. As you just mentioned, I spent a great amount of time on the Foreign Affairs Committee and it was one of the most enjoyable times of my professional career. It is a great committee and I appreciate the opportunity to appear before you.

Before I proceed, I would like to also point out that: (1) the views that I state are obviously my own view, and not those of the House Wednesday Group; (2) I used extensively data provided by the non-partisan Congressional Research Service. I did this because Dick Grimmatt is known as a nonpartisan expert in this field, and, also, most of my work in the Department of Defense was in the classified area. As you well know, in an open session, this can be a considerable constraint on how much you can say.

In keeping with the desire of both subcommittees to broadly view the issue of conventional arms transfers, I would like to focus on some of the key trends in this area, offer my own assessment of what I think these trends mean, and then make policy recommendations for the committee to consider.

First, overall arms transfers to the Third World are declining dramatically, whether measured in terms of actual deliveries or new agreements. When measured in terms of actual deliveries, conventional arms transfers have declined steadily since 1987, when they were valued at well over \$50 billion. This compares to calendar 1992, when deliveries were estimated at about \$13 billion. I would note the fact that while the U.S. percentage of these declining deliveries grew in the 1990's, the \$7 to \$8 billion value of U.S. deliveries in 1992 constant dollars is roughly approximate to the value of U.S. transfers in 1987, which was the peak year in global arms trades. At that time, the United States only occupied approximately 9 percent of the market share.

There is a similar decline registering in data on the dollar value of conventional arms transfers agreements signed since the mid-1980's. If you make a special note of the Gulf War spike, you will see on the chart in my presentation that this trend line represents a steady decline since the mid-1980's.

A second very important trend to bear in mind is the dramatic reduction in Russian arms deliveries and agreements with the Third World in recent years. Since 1986, when Russian conventional arms transfers peaked at \$28.8 billion, Russian arms transfer agreements have plummeted to \$5.9 billion in 1991, to \$1.3 billion in 1992. This staggering decline has had two important effects, one negative and one positive. First, today's Russia, economically strapped and still mired in its own transition from a command economy to a free-market economy, is a desperate arms merchant in the international market. Even the pro-democracy elements in the government have found it extremely difficult to end Russian transfers of high-tech/high-quality conventional systems to irresponsible recipients like Iran and China.

However, an important positive consequence of Russia's dramatic decline in conventional arms transfers is reflected in the large number of former Soviet clients states, like Cuba, Vietnam, North Korea, Syria, Libya and Iraq, who are now largely unable to purchase major conventional platforms in the international marketplace.

This leads us to a third important trend. With the exception of Iran, conventional arms transfers specifically to those Third World states most likely to threaten the security of their neighbors or the United States have been declining dramatically as well. For example, when arms deliveries to such countries—most of which fall on the U.S. terrorist list, which Mr. Berman was an architect of establishing in section 40 of the Arms Export Control Act, these countries—Vietnam, Cuba, Syria, Iran, Iraq, Libya—are now receiving virtually 50 percent less than they did in the latter half of the 1980's. This decline reflects a combination of increasingly hard Russian terms for new purchases, weak internal economies in these nations, and relatively successful isolation/denial by Western democratic suppliers.

Another key development, as opposed to past trend, is the attempt by China to enter the conventional arms sales arena as a major exporter. The Chinese military, clearly wishing to expand conventional arms sales abroad, has viewed this as an area of opportunity. In this regard, I would highlight the following fact for the committee. Any cap that might be placed on aggregate global or regional sales must include a market share commitment to the Chinese Government well above their current export levels, so that they can, in effect, grow into it.

The final trend I would like to speak to today, which I think is of particular interest to the committee, is the increasing dollar value of U.S. conventional arms transfers to the Third World in recent years. As my two earlier charts illustrate, the dollar value of U.S. conventional arms deliveries and new agreements has increased in recent years, particularly to the Gulf region both during and following the Gulf conflict. Without question, as other panel witnesses have noted, the United States now dominates the re-

maining Third World conventional arms market, with a market share approaching nearly 60 percent in both 1992 deliveries and 1992 agreements. Furthermore, U.S. arms transfer agreements continue to be focused on the Middle East, constituting 60 percent of all sales to that region in the 1989-1992 period.

The question for you, obviously, is this trend a trend which should trigger alarm bells here in Congress? My own view is that it should not for a number of important reasons. First, a significant portion of recent U.S. sales can be attributed to the Gulf War. For example, actual Saudi and Kuwaiti purchases in calendar year 1992 centered primarily on the acquisition of Patriot missile batteries by Saudi Arabia, and Patriot and Hawk missile batteries by Kuwait.

Furthermore, I believe that the current U.S. arms transfer process, which you are an extremely important part, works not only well, but extremely well. Overall, U.S. sales are not destabilizing in nature: they respond to legitimate defense requirements, they are subject to careful review both within the administration and the Congress. Indeed, this committee is the key in the Arms Export Control Act review process. And I know from my own experience on the committee, both with the process and with the members involved, this committee is a very responsible actor. This is certainly reflected in the executive branch, which very carefully deliberates over the types of arms sales recommendations that they will send to this committee precisely because of the important and responsible role it plays in this process.

In this regard, I will also note that in calendar year 1992, the U.S. Congress had a direct—this was a result of the growing percentage, not the dollar value of U.S. arms sales—and extremely meaningful role in reviewing nearly 60 percent of all conventional arms sales to the Third World, as opposed to only 9 percent in 1985 when global deliveries were at record high levels.

Before proceeding further, I would also like to highlight three important assumptions that I think the committee needs to look at as it reviews options to deal with conventional arms transfer policy. First of all, I think you need to ask a very basic question, which is: are conventional arms transfers legitimate? And if so, under what carefully construed circumstances? Second, what type of security threats do you believe our friends and our allies, as well as the United States, will face in the future? Third, without entering into the heated discussion over U.N. control of armed forces—will multinational military responses to serious security threats, either to the United States or to our allies and friends, be increasingly likely in the future?

My own view is that while the transfer of weapons of mass destruction continues to be delegitimized in the international arena, this is not the case with respect to conventional arms transfers. There remains a strong consensus in the international community, and I believe in the U.S. Government and also here in the Congress, that certain conventional arms transfers are legitimate and justified. As Members of the Congress representing the American electorate, you are ideally placed to determine how strong public support really is for this principle. But in this regard, I believe

revalidating this critical assumption will be a very important task for the committee in its ongoing work on this issue.

I think in this case, it is well worth noting—and perhaps a NATO analogy would be worth using at this point—that when we fail to allow our allies and friends to adequately acquire capabilities to meet their own defense requirements, the American public—indeed, this has been embodied in the American Congress—often views this as a failure by our allies to meet the shared burdensharing requirements and responsibilities. I believe that we need to carefully keep this important factor in consideration as we look at this current policy review because recent American isolationism may justifiably draw attention to the inequalities of the capabilities and responsibilities between ourselves and our friends and allies if they do not make the sacrifices necessary to ensure their own security, both in terms of dollars, weapons and people.

In this respect, I would also like to note the obvious: regional threats still exist, as was reconfirmed by Secretary of Defense Aspin in his recently released Bottom-Up Review. States such as Libya, Iraq, Iran and North Korea still pose a threat to both the national security interests of the United States and to those of our allies and friends. This reality will continue in the near term, and as a result, key friends and allies will continue to make legitimate requests of the United States for the sale of conventional military hardware.

Finally, I would also note, as Desert Storm illustrated, that successful joint military activities require cooperation, highly trained troops and interoperable capabilities. Standardization and rationalization of combat capabilities is not, in and of itself, enough to assure the success of the military operation, but it is certainly an indispensable part.

On balance, I would like to note the following: I believe that destabilizing arms transfers to the Third World should continue to decline in the future. As noted already, I believe there are a number of key facts that support this. They include: the anemic economic state of many of the world's most dangerous states; the ongoing collapse of the Russian military industrial complex; the tendencies of democracies themselves to be self-regulating in that they base their own requirements on rational defensive assessments of the threat; and the high cost of advanced conventional systems.

At the same time, there are countervailing developments that give reason for very serious concern. As already mentioned, key adversary states still remain and they continue to be intent upon acquiring advanced military systems across the full conventional and weapons of mass destruction spectrum. Russia, at least for the present, will be an undisciplined and potentially destabilizing conventional weapons supplier for virtually any country that does not have access to higher quality Western equipment. China will continue to view conventional arms transfers as an untapped economic market waiting to be exploited.

Finally, despite recent political successes in the Middle East, this region remains an unstructured security environment, characterized by subregional tensions which are not being addressed by the current Arab-Israeli peace talks. As a result, demand in this region for conventional weapons is likely to remain high, constrained

largely by cost, U.S. domestically imposed restraints (i.e., section 40 of the Arms Export Control Act), and preexisting embargoes.

In light of these significant remaining threats, I would recommend the following course of action. One, Americanize the international arms transfer system. The United States should press relentlessly for the adoption of key elements of the American system of arms transfer review by the international community, with primary emphasis on prior consultation and notification. Secret transfers to dangerous states, nontransparent to the international community and destined to be discovered after the fact, are singularly destabilizing in that they feed uncertainty, insecurity and mistrust. Key suppliers, like Russia and China, must be brought under a regime which at a minimum requires a supplier to reveal its arms transfer intentions to other key international actors prior to transfer. Firm diplomatic pressure should be used to bring China into this regime, and clear costs should be identified at the beginning of these discussions so that the Chinese know the opportunity costs of nonparticipation in such a regime.

Second, multilateral "Nunn-Lugar" for Russia. Russian conventional arms sales today are nonideological, devoid of a specific strategic design, driven almost solely by the failing Russian economy and the inability of the Russian Government to design a viable transition strategy for the Russian military-industrial complex. Unlike China, Russia is willing to adapt to Western norms of responsible arms transfer behavior, but in the near term is only able to do so if the economic damage of such a policy is minimized. Other nations in the global community have a vested security interest in facilitating the downsizing and conversion of the Russian military complex; and as a result, should bear the principal financial responsibility for such an undertaking.

Three, develop an international presumption of denial to pariah states. As difficult as it may be to achieve international consensus on a list of states to which the principal arms suppliers will deny conventional arms sales, this type of focused approach still outvalues broad quantitative ceilings or declining market share approaches. State specific presumption of denial has already proven its worth in countries like Libya and Iraq. Further, such a policy is simpler to implement and monitor, has a higher moral authority than broad nonspecific constraints, which may inadvertently deny aid to a friendly country with a legitimate and perhaps critical defense need. And in today's new security environment, such an approach offers a more defined symmetry with the specific security threats facing the international community.

Finally, advocate a demand side arms control negotiation in the Middle East. The United States should use political progress in the Middle East to maximum advantage. Numerous states in the region are interested in, and have a sophisticated knowledge of traditional arms control. The key, of course, is political progress. I believe that the door is currently, if not open, at least ajar. The United States should advocate the establishment of broad regional security discussions, perhaps building upon the Arms Control and Regional Security Working Group of the Peace process, to discuss all aspects of Middle East security. These discussions should not focus solely on the Arab-Israeli security relationship. Rather, they should

recognize the essential nuances and security differentiations within the broad region, encouraging discussions in the subregional context—such as the Gulf or in North Africa—as well as the core region surrounding Israel. Broad confidence-building measures should highlight the initial stages of these discussions.

Mr. Chairman, members of the committee, I very much hope that my observations have been of help to you in your work here in the committee. As you already know, this is an extremely complex and difficult issue, and none of the proposed solutions are easy to accomplish. But, I also believe that we are at a watershed of opportunity. Therefore, the committee's consideration of this issue could not be better timed. Thank you, very much.

[The prepared statement of Mr. Inglee appears in the appendix.]

Mr. FALEOMAVAEGA. Thank you, very much, Mr. Inglee. I recall the statement made sometime back when the President of Columbia, when we were having this group on the war against drugs coming in from Latin America, and this President of Columbia saying, "You know, you realize it is really—bearing on this to say that it is our fault for the drug problem that we have here in America. But, if it wasn't such a tremendous demand by the Americans to buy our drugs, we really wouldn't be producing it."

We have talked a lot about exports, but we never talked about the purchases or the buyers of arms sales, which we all know predominantly comes from the Third World countries. Well, this is something perhaps to keep in mind also in our discussion. I want to turn the time over to Mr. Andrews for his questions.

Mr. ANDREWS. Thank you, very much, Mr. Chairman. I appreciate all of you being here and I appreciate your testimony. It is—there is a lot to digest in what you have just delivered to us. And so, I am just going to pull out a few pieces of your testimony and ask for some elaboration.

First of all, let me just say that I serve, as I mentioned in the outset, on the Armed Services Committee. And the reason that I got into all of this was because Mr. Johnson and his organization approached me several months ago because one of their clients members is the largest employer in my district. And the issue was whether or not I and others on the committee would assist in providing some help in getting expansion of opportunities in this area for this largest employer in my district to help deal with the decline in defense orders by seizing more opportunities in the international market. There were specific proposals that I won't get into right now.

But the point is as I—there is no one who is more interested in the workers of my district than myself, I would contend. But as I began—the more I began to explore this issue and the more I looked into how I could help them in this area, the more offensive this area became to me. And the more I learned and the more facts that came to my attention, the more I realized that we simply cannot afford as a nation or as a planet to allow economics to drive the issue of foreign arms sales, and it was time for us to take a good hard look and that is the reason I am here today. So, I empathize very much with the conflict that people are facing between economics and this issue; but certainly, I agree that economics should not be driving this.

Let me ask a few specific questions. Dr. Platt, you mentioned in your testimony that unilateral restraint efforts have been tried in the past. You found that they have been wanting over time. But, nevertheless, you say that "It is likely to be necessary in the near term for the United States both to exercise some unilateral restraint and to exert considerable pressure on other major arms suppliers to participate in international restraint efforts."

What I interpret from that is that you are saying the United States, perhaps because we are the leading exporter in the world, that we are in a position of responsibility to take some leadership in this, perhaps some unilateral leadership at least in the near term with respect to restraint. Could you elaborate on what you mean by that?

Mr. PLATT. I think you understood the direction of my comments. The fact is when you meet with diplomats from Europe or the Middle East, it is very hard to persuade them that the United States is interested in controlling the transfer of conventional arms when they quickly point out that it does not seem to them that the United States exercises any restraint in its own arms transfer policy. So, I think, if we are going to have credibility in order to marshal an international effort in this area, we are going to have to show some restraint ourselves. Otherwise, people are not going to believe that we are serious about it.

That being said, over time, if we cannot achieve international agreement, then I do not believe it is wise as a national policy for military, political and economic reasons, to pursue unilateral restraint. We found during the Carter administration, where, as you may recall, there was a series of unilateral restraints that the United States followed, that it did not result in a decrease of arms sales in different parts of the world. Rather, there was a decrease in American arms sales, but the gap in arms sales was taken up by other would be suppliers. So that I think over time, if this is going to be successful, we are going to have to exercise some restraint as an example, as an indicator of our seriousness.

In addition, I believe that it is important that this administration put enough priority on this issue so that we will exert the kind of diplomatic leverage that will bring along the other major suppliers. Otherwise, I think unilateral restraint is doomed to fail.

Mr. ANDREWS. So, unilateral restraint followed by intensive pressure for a multilateral agreement.

Mr. PLATT. Concurrently. It is not sequential. You would want to show a certain amount of restraint at the same time as pushing other countries to follow the kinds of policies we would like to see followed. And I hope that as a result of the current interagency study the Clinton administration recommends this.

Mr. ANDREWS. You mentioned that you would recommend, for example, as an objective to banning introduction of new types of advanced weapons in certain regions of the world, and you mentioned specifically some of those weapon systems. Is that the kind of thing that you are suggesting that is how we might start—the United States would start by saying we are not going to provide these regions with these types of weapons?

Mr. PLATT. That is certainly one element. There are lots of sophisticated systems and technologies wherein the United States ei-

ther has a total predominance of the market or close to that. If we show a certain amount of restraint, there are not other suppliers that are immediately available. In many cases, the startup costs for other suppliers to get in the market would be such that we would be able to prevent certain kinds of new technologies and systems from going into regions where we believe they might be destabilizing.

Mr. ANDREWS. Thank you. I do not want to dominate here, but there is one area that I would like to pursue. And I would say to Mr. Johnson and Dr. Rossiter and Mr. Inglee, I found some common ground here. As difficult as that was to do, I did find some common ground, and that is that you are all suggesting that in some instances, arms transfers to some nations would be acceptable; in fact, could be desirable. You mentioned, Mr. Johnson, to friendly nations with U.S. products—sending friendly nations U.S. products that have legitimate defense needs would be advisable. Mr. Inglee, you mentioned the same point. Dr. Rossiter, you talked about a Code of Conduct in which we would distinguish between what Dr. Inglee would describe as a—Mr. Inglee would describe as a pariah state and what you would describe as a violator of the Code of Conduct.

But, in other testimony that we have heard from, for example, Mr. Hartung, you mentioned that “It is virtually impossible to predict how weapons contracted for today will actually be used 5 or 10 years down the road.” And I was interested in a report by the Office of Technology Assessment in 1991 in which they said, “Countries with whom the United States has collaborated with extensively in the past may, in fact, transfer weapons and technology to nations that oppose U.S. security and economic interest. In the past, European governments have been willing to export their most advanced weapons to a wide range of countries.” It goes on to say that “The United States and other major exporters are gradually losing control of the weapons transferred, as well as the technology and industry necessary to produce and support them.”

So in other words, even if country A does not have egregious human rights violations, let us say they are a NATO ally, and I—we face this with the amendment that you are referring to, Dr. Rossiter, by Senator Kempthorne—the argument goes: they qualify; why not then transfer weapons to them? Why not sell American weapons to them? What is wrong with that?

But, yet, on the other hand, we are hearing from Mr. Hartung and others, the Office of Technology Assessment, that, in fact, we continue to let the genie out of the bottle; we virtually have lost control of this technology now; that even if we sell these weapons to friendly countries so-called, nonhuman rights violators, we might end up facing that—having our kids facing that technology in a future war because that technology is being transferred from most states to other states around the world.

Could any or all of you address that primary concern? Mr. Inglee.

Mr. INGLEE. In one respect, it is a very legitimate concern. On the other hand, I think, once again, it is an example of the strength of the American system of arms control review. Under the Arms Export Control Act, which the Committee on Foreign Affairs is directly involved in, section 3 deals specifically with third country

transfer approval or disapproval, with civil and criminal penalties, if I am not mistaken.

To me, this is a very good example of the kind of Code of Conduct that you would want to apply to other states. Because even some of our key allies—the French, for example, in the areas of weapons development—push very close to the edge of that particular distinction in terms of their exports of equipment that may be derived American technology. So, rather than viewing it as a major problem today, within the American system, I think the system perhaps can be strengthened, perhaps with more oversight of the process. But in my own experience, in both the Committee on Foreign Affairs and in the executive branch, by and large, the internal review process of the U.S. Government works quite well.

The question is detecting an unauthorized transfer abroad. This is where I think “Americanizing” the international export review process would be a very important way to dealing with that problem.

Mr. ANDREWS. So, you think that those protections then would make the concerns of the Office of Technology Assessment really not justified?

Mr. INGLEE. No. I think it is an emerging problem. I was just noting it is not a problem for the internal workings of the U.S. Government. We have good mechanisms, of which the Foreign Affairs Committee is a critical part, to deal with this. It is a problem in the broader area of the international community. That is why I am saying take advantage of our excellent system here in the United States, superimpose it upon the international community so that they will have to be more vigorous in controlling their own transfers of technology, whether it is ours, theirs, or someone else's.

Mr. FALEOMAVAEGA. Would the gentleman yield?

Mr. ANDREWS. Certainly.

Mr. FALEOMAVAEGA. I do not know if it is going to be that simple to superimpose our way toward other countries.

Mr. INGLEE. I did not say it would be easy.

Mr. FALEOMAVAEGA. The likes of PRC and the others. But in line with what the gentleman that is questioning here is that he wanted to ask the panel, especially our friend, Mr. Johnson, that if it would be a fair economic policy on the part of our country to say, economically, if the others do not do it—if we do not do it, the others are going to do it; basically say, if we do not sell it, the other countries are going to sell the arms. And when I say countries, our friends like France, Great Britain, Italy, members of our European friends. Is that a valid economic reason for us to continue the arms transfers and saying for that simple reason?

Obviously, the situation with Saudi Arabia, with Taiwan, where, for economic reasons, put people—give people jobs. We have to continue this as long as the sales are with friendly countries. I wonder if that is a valid—if it is in line with what Mr. Andrews was raising earlier? If we do not sell it, the other countries are going to sell it.

Mr. JOHNSON. The simple answer, I suppose, is that it is a valid question to ask, but by no means a sole criteria by which to answer. And, in fact, we have not. There are countries which were

quite clear other people were going to sell to—e.g., Iraq—and we did not sell to them, and that was an appropriate policy response.

You know, I cover both of your queries. And one, I think our track record has been extraordinary good. The only time I can think of an American soldier who might have faced a high-technology foreign weapons platform might have been the result of the Land-Lease Program with the Russians during World War II, in which, of course, we provided a lot of military hardware to a rather unpleasant country. But, it did manage to hold off the Germans for 3½ years while we were getting our act together back here.

Since then, if you look at the countries that have been major recipients of U.S. weapons, it is very hard to come up with any example of a country which has used in either in an aggressive fashion against its neighbors, or in which United States has ever faced those weapon systems, in which case, again, I would argue the systems worked pretty well.

I think one of the dangers of this whole dilemma of arms transfers is the danger of generalizing. We have got to look case-by-case. If you look at—and I did this just before coming up—what are the five Third World countries that receive 75 percent of all U.S. weapons transfers in the last 4 years? Number one is Saudi Arabia. Now does anybody really think Iraq attacked anybody because it was worried about an arms buildup in Saudi Arabia? Come on now. We committed 600,000 U.S. troops to defend that country. It is somewhat inconsistent to say, "But, heaven forbid, it should be able to defend itself."

Egypt. All of that was provided by the U.S. Congress. Third was Taiwan. Again, does anybody really think the PRC lies awake nights being worried about being attacked by Taiwan? This is a country of 1.2 billion people. Israel. Again, all provided by the U.S. Congress. And fourth, Korea, living next door to one of the five rogue states I think we would all agree on; it is democratizing; and has a good economic growth rate, same with Taiwan.

And that is 75 percent of all transfers to the Third World. I am sort of puzzled by which one of those the committee would be threatened.

Mr. FALEOMAVEGA. Well, is not this one of the covers of our policy, that arms transfers is—specifically for defensive purposes only.

Mr. JOHNSON. And in each of these case, I certainly think you gentlemen would agree that the countries have used those systems strictly in a defensive—

Mr. FALEOMAVEGA. Offensively.

Mr. JOHNSON. Well, which one? There is only one I can think of, and I—

Mr. FALEOMAVEGA. Well—

Mr. JOHNSON [continuing]. I do not want to get into that.

Mr. FALEOMAVEGA [continuing]. I think it is—I think the state of Israel went out there to take out the nuclear situation in Iraq. We condemned Israel for doing it—all other countries. And now, we are blessing Israel. In hindsight, to say that if Israel had not done so, we would really have a problem with Iraq and its nuclear—you know—I mean, you can speculate on that, but it is a problem.

Mr. ANDREWS. I want to get other reactions to that problem, the trades for arms and having them end up shooting at us.

Mr. ROSSITER. Let me take a shot at that. I do not think that one issue you are concerned about—retransfer—is a major one. There is a system in the Arms Export Control Act where we have to approve any retransfer from an ally of any technology we have provided. Just in this last year, Congress convinced the Clinton administration not to permit a retransfer to Indonesia of war planes that Jordan had originally purchased from the United States. I think the system works most of the time on these publicly discussed retransfers.

Britain and France have a lot of our military technology should we chose to use those clauses. We could have held back, for example, during the competition over selling advanced fighter aircraft to Saudi Arabia last year. There are really only two suppliers: it was the United States or Britain. The British Members of Parliament were hearing the same argument you were hearing. They are being told, "If we don't sell, the Americans will."

But, we have a lot of technology in the British aircraft. If we had chosen to exploit our rights, we could have even blocked the British transfer. But, diplomatically, we chose not to. So the mechanism is there.

I am more concerned with how our so-called friends act after they get our weapons. I think that is the part of your question that I would agree is most troubling, not only when there is a change in government, but frankly what those friends do with weapons. Mr. Johnson's memory seems to have stopped in 1945 about where did we transfer weapons to a country that ended up using them against our interest.

The biggest problem in U.S. foreign policy at the end of the 1950's was Cuba and, of course, that was a dictatorship that we armed. The biggest problem in U.S. foreign policy in the 1960's was, of course, Vietnam, another dictatorship that we armed. In the 1970's, we had Iran, another dictatorship that we armed, the Shah of Iran, with our most sophisticated weapons. In the 1980's, it was Panama. In the 1990's, maybe it will be Saudi Arabia. Who knows. We have a way of having these weapons come back to haunt us.

I would point out to the members that democratic countries, where there is an ability of the citizens to control their government and to keep them from carrying out either internal human rights abuses or external aggression, are not on that list. And if we transfer arms to a democracy today, Congressman Andrews, yes, there is a risk, that 10 years down the line something will be different. But that risk is far, far smaller than if we transfer to a friend who is maintaining power by armed authority. Among those I would include: Kuwait, which in order to maintain power has expelled a million people in the last year and has our most sophisticated tank now; and Saudi Arabia, which rules in an extremely tight fashion and could, many people in the State Department feel, turn into the Iran of the 1990's.

Mr. FALEOMAVAEGA. I have a saying, you keep feeding that dog and that dog is going to turn around and bite you. And perhaps, this is some of the problems that we are faced with. I do not mean to compare countries with dogs, but there is a saying about that.

As a matter of observation, Mr. Andrews, I did not mean to take your time.

Mr. ANDREWS. Not at all.

Mr. FALEOMAVEGA. Mr. Hartung.

Mr. HARTUNG. I would like to address all the issues on the table, not in order or in great detail. But, the reason that I inserted that notion that we cannot predict how these arms are going to be used 5 or 10 years down the road is because I believe that we are in a new era. During the cold war, there was more of a sense of who was on which side. There was a sense that there were two sides. But now that we are witnessing an outbreak of these multisided conflicts, there are 48 different wars going on in the world. In 36 of those conflicts, one or the other side received some U.S. arms in the period leading up to the outbreak of the war. In some cases, those sales were fairly minimal, like some sales of the United States to Yugoslavia during the 1980's in the range of \$10 to \$15 million a year.

In other cases they were very critical in terms of what happened in those countries, as in Somalia; as in Sudan; as in Liberia; as in Afghanistan, where they are taking U.S.-supplied weapons and turning around and selling them on the world market, things like the Stinger missile that can be used to shoot down a civilian airliner. And the CIA has turned around and tried to buy them back at two or three times what they cost when we gave them away—they did not have to pay for them in the first place. But, they are bidding between the CIA and the international black market to see who gets all of these things.

So, I would argue that we cannot use that traditional notion that we are going to bolster this friend against this enemy, because it is just not going to hold. And I think, therefore, that the first principle has to be caution and restraint. And unless we show a great deal more restraint than we have shown in recent years, no other country is going to join us in that. Because, it is not a question of if we do not sell, somebody else will. If you are sitting in China or you are sitting in Russia, they see it as if *we* do not stop selling, *they* are not going to be able to sell anything. Because, we sold to the Third World 10 times what Russia sold in 1992, and 100 times what China sold.

So, there is no world equivalence here. Our Government has tremendous leverage that I think we can put to use to get some multilateral restraint, and it has to begin with some changes, not in our laws on paper—many which are very good—but in our actual behavior in transfer of armaments.

Mr. ANDREWS. So, Mr. Hartung, would you suggest, and this gets back to the discussion I had with Dr. Platt, some form of unilateral move on the part of the United States, given what you just said? Given our leadership position, followed by multilateral or simultaneous with multilateral negotiations?

Mr. HARTUNG. Yes. I think in order to establish credibility and to bring other nations on board, there are unilateral steps that the United States should take. That would include forgoing some sales of advanced combat systems like F-15s to the Saudis, F-16s to Taiwan or other deals like that that come up in the future. We should also be cutting back what we spend on subsidizing arms exports.

Because in many cases, if we do not provide the money, nobody else is going to provide it either. So in those cases, that is a net gain in terms of limiting transfers of armaments.

I think, also, things like the Code of Conduct legislation are unilateral in the sense that we are tightening our own standards. And when we tighten our own standards, I think we have a stronger case for bringing other countries along. Because if you talk to people in any other country in the world about U.S. proposals over the last few years about control of arms transfers, you know, they are laughing at us. They look at not what our Government is saying, but what our Government and our companies are doing. We have no moral or political standing to promote multilateral restraint. But it is ultimately in our best interest to take whatever steps we can to promote that kind of restraint.

Mr. PLATT. My comments follow this. I want to emphasize, as I tried to do in my statement, that it seems to me that it is not instructive to look back historically very far, because I think it takes you off the central point, that we are really moving into a different era. One of my problems with Joel Johnson's testimony is that he compares American and Soviet arms sales over the last decade. What happened in the mid to late 1980's, I do not think is going to be all that relevant concerning Russian exports in the late 1990's. Similarly, there have been references here to the 1950's, and 1960's and 1970's. I do not think those periods are going to prove all that relevant to the mid-to-late 1990's.

The important point is that the United States is the preeminent arms supplier. We have certain security interests around the world and the question is: in what way can we further those interests? With the end of the cold war, some instabilities in different parts of the Third World, and the recent lessons about the effectiveness and the destructiveness of U.S. weapons, we really are at a critical stage of setting the pattern for demand and supply for arms in various parts of the developing world. That is what seems to me to be the opportunity that thus far the Clinton administration has not seized.

One minor point. As everyone talks about problems related to the transfer of arms, they have left out the fact that the transfer of Stingers to Afghanistan has caused certain problems over time.

Mr. JOHNSON. Again, I would be remiss if I did not say, I have a real problem with the basic premise of at least three of my colleagues, which is that the United States has not consistently unilaterally been more restrictive than almost any other arms exporting country. That is why, again, I would repeat, our percentage, in fact, is as low. Other countries do watch what we do. When we unilaterally restrict, they quickly move into that market. I mean, they are not dumb.

If you look at our track record of unilateral controls, whether it be on Iraq, whether it be on Subsaharan Africa or Latin America in the Carter period, consistently what happened was other countries took those markets because they are not very competitive with us. But when we pull out, that provides them an outlet to move in. That is a historical fact.

Now, Alan, if you read the fine print of my testimony, I made it clear, I think the Russians never had a market. The Russians were

never competitors. The Russians basically gave away their stuff. And I think history is instructive in the sense that once they pulled out, not just \$15 billion went out of the Third World market, but about \$20 billion went out because basically, we did not have to supply people either once they pulled out. And that has gone for good; no question.

In some respects, people here should be giving loud hosannas. Fifty percent of the Third World arms market disappeared in 5 years. That is pretty good. There is a reason for that. The cold war ended. The Russians quit giving the stuff away and they are now down to a very much smaller base. And I think this issue in terms of large platforms probably becomes a relative nonissue in Latin America and Subsaharan Africa.

The small stuff is a different problem. I do not how you deal with that. The bottom line is most of what is going on in Burundi or in Somalia is stuff I can go four blocks from my house in Old Town and buy. And that is unfortunate, and I wish it was not true, given I live there. But that is what Americans are facing in Somalia—basically small arms and with a few rocket propelled grenades. It is not weapons platforms.

Mr. ANDREWS. Well, let me just conclude by saying I could—there are several more issues that I would like to raise, but I will not in this particular forum because I do not want to dominate. But, let me just thank all of you for being here. This is an extremely important subject in my opinion, and the—I get—you are the other first person, Mr. Johnson, that has asked why so little when we sell more arms to the Third World than all other nations combined that we—according to the testimony, received here 46 percent of deliveries of major weapons around the world.

And I am just simply—I am very, very—and I am deeply concerned about what seems to be happening. There is two forces working here. On the one hand, we have, as we have heard from your testimony, the lid is off of the pot with respect to the pressures of the cold war that at least put the lid on some of the regional, cultural, religious, nationalistic tensions. That is now off and is has allowed, as we have seen since the end of the cold war, those regions to fester and to explode. At the same time—so that pressure is increasing with the end of the cold war toward unfortunate legacies.

But the other pressure that is building is on our arms industries, again, after the cold war, and reductions of arms budgets, and weapons manufacturers looking for new markets in which to keep their production lines open. As a matter of fact, someone said to me, again as a member of the Armed Services Committee and one who should be a principal ally of their side, "This is even better than conversion," they said to me, "because we don't have to train anyone to do anything new. They just continue to build weapons. We keep the production lines open and we don't—and it is not a drain on the American taxpayer." I mean, that kind of thinking, in my view, is extremely dangerous.

And a worker said to me, and I am involved in a lot of controversy, as you can well imagine in my district about this, that jobs have to be the bottom line. And I said to that worker, "Our young people that we send in harms way have to be the bottom

line." And I do not know how many Somalias or Iraqs or conflicts around the world we have to get involved in and have our kids be sent into clean up, only to face American weapons and American weapons technology before we wake up and smell coffee that has to be smelled.

I thank this committee for its leadership in this issue, and I hope that this is just the beginning of a very serious, very serious rethinking of our policy.

Mr. FALCOMAVEGA. I wanted to complement the gentleman's observations interpreting his line of questions before the hearing panel before us this afternoon. And I also want to say that I am very, very happy to have such a diversity of opinions about this very important issue. And I have a very strong feeling that both Chairman Lantos and Chairman Berman will definitely take this issue up in a more substantive way. And certainly, I will look forward in working with these two chairmen.

It is a very difficult issue, you know, after having spent over \$5 trillion to win the cold war by our country; something which should be commended. And realizing, also, the concerns expressed by Mr. Johnson to the effect that how do we transform these spears into plow shares, and to see that the American workers and 300,000 jobs are affected by this whole transformation of this cold war buildup. That now has to be looked at in some other way, and in a very substantive way, I hope, so that we could see if there is a greater limitation of armed conflicts among or between countries. And there is always that danger.

Without objection, the statement of Ms. Anna Stout, the executive vice president of the American League for Exports and Security Assistance will be made part of the record.

[The prepared statement of Ms. Stout appears in the appendix.]

Gentleman, I want to thank all of you for your statements, and the committee hearing now is adjourned.

[Whereupon, at 3:35 p.m., the subcommittee was adjourned.]

STATEMENT OF HOWARD L. BERMAN
Chairman
Subcommittee on International Operations

Good afternoon. Chairman Lantos and I begin today a series of joint subcommittee hearings on conventional arms transfer policy. We do so just as the Clinton administration begins its own policy study of the issue. We have before us a panel of non-governmental experts today to begin our discussion of this complex and important subject. At the same time, I want to make clear our intention to have before us soon a panel of administration witnesses -- hopefully, before their study is concluded.

The administration has already concluded its review of US policy toward the proliferation of weapons of mass destruction. It rightly highlights the dangers to our national security and to international security that the proliferation of these weapons represent. But our concentration on weapons of mass destruction should not mean that we overlook the very real concerns and dangers represented by the huge global marketplace in conventional weaponry--much of it very sophisticated and very deadly.

One might have thought that with the end of the cold war, new possibilities for containing the international arms flow would arise. After all, since arms transfers were a major part of the international security strategy for both East and West, the motivation to use them as a source of influence ought to have abated. Moreover, the consequences of Iraq's unrestrained arms buildup should have lent urgency to international efforts to curb

the international arms bazaar.

Unfortunately, this has not happened. Instead, we have seen a new competition for markets as the domestic defense procurement budgets of the major arms exporters have declined. For the former republics of the Soviet Union, all of which face sharply declining economies, arms sales are one of the few avenues to earn hard currency. China uses arms sales to help pay for its own ambitious military modernization program. The West, mired in recession and in the midst of a major downsizing of its defense industries, has seen exports as a way to mitigate against job losses.

All of this has meant a global conventional arms glut, and very little appetite on the part of governments to undertake restraints. Indeed, the US has emerged as the world's largest arms exporter. Not only has our market share, now more than half of global sales, increased relatively to other exporters, it has gone up absolutely as well. In the mid 1980s, still during the heyday of the cold war, our annual agreements for arms sales to the developing world averaged around \$8 billion. Today, they are averaging around \$14 billion. Even the halting efforts of the Bush administration to seek guidelines and notifications of arms sales among the five largest arms merchants--the US, Russia, Britain, France, and China--came to a halt as China withdrew after the US announced its willingness to sell military jets to Taiwan.

I believe it is both short-sighted and dangerous to use arms transfers as a solution for economic problems. We cannot possibly sell enough to make up for the fall in defense procurement. Nor can they be seen, as some suggest, as a partial substitute for

economic conversion. Selling arms to a country or a region should be a carefully thought out action based on genuine policy considerations, such as filling legitimate self-defense requirements; but arms sales should never be the result of market forces.

We would do well to remember that the last three places the US armed forces went into action -- Panama, Iraq, and Somalia -- they faced weapons or weapons technology either exported or financed by our government. And the diversion of resources into arms purchases by developing nations, particularly in regions of tension, runs contrary to our interest in expanding democracy, political stability, and a growing global economy.

I fully recognize the very deep difficulties and challenges in pursuing conventional arms restraint. Obviously, we need multilateral action. It will do neither us nor the developing world any good if we reduce exports only to find the gap filled by other suppliers. However, multilateral solutions often require US leadership -- and even unilateral US action. This challenge is now before the Clinton administration, and I commend it for beginning its examination and look forward to discussing with administration officials its progress.

As I mentioned earlier, we have a distinguished panel before us today to offer their insights to the development of a conventional arms transfer policy. Caleb Rossiter is well-known to many of us. He is the director of the Project on Demilitarization and Democracy and is the former deputy director of the Arms Control firm of of Gibson, Dunn and Crutcher and the former chief of the Arms Transfer Division of the Arms Control and Disarmament Agency. Joel Johnson is vice president of the Aerospace Industries Association. William Hartung is Director of the Arms Transfers Control Project of the World Policy Institute; and William Inglee is the former Deputy Assistant Secretary of Defense for Conventional Forces and Arms Control Policy.

Opening Statement
Honorable Tom Lantos
Hearing on U.S. Policy on Conventional Arms Transfers
 November 9, 1993

The subcommittees will come to order. Today, the Subcommittee on International Security, International Organizations, and Human Rights and the Subcommittee on International Operations will hold the first hearing of a series of hearings that our two subcommittees will jointly hold to examine United States policy with regard to the transfer of conventional arms.

I am delighted to hold these hearings jointly with my distinguished colleague, Congressman Howard Berman of the Great State of California, the Chairman of the Subcommittee on International Operations. Congressman Berman has been a leading voice in the Congress in urging responsible action to restrain both the conventional arms buildup, as well as the effort to control nuclear, chemical and biological weapons.

As the we move toward redefining the nature of the challenges our nation faces in the post-Cold War world and as we engage in a national debate over how best to defend American interests in this new era, it is essential that we evaluate our policy toward the transfer of conventional armaments. The United States as well as a large number of countries in the international community participate in various multilateral regimes to control weapons of mass destruction — nuclear, chemical, and biological weapons — in order to prevent their proliferation and particularly to prevent their falling into the hands of so-called "rogue regimes." There is no such system of multilateral constraints on the sale or transfer of conventional armaments.

There are urgent reasons for giving serious attention to conventional arms transfer policy at the present. For most of the past half century, the Cold War conflict between the United States and the Soviet Union served to contain and limit regional conflict. With the end of the Cold War, many of these long-smoldering regional and ethnic conflicts have flared into violence. At this very time when there is growing regional instability and diminished restraint upon the resort to violence, conditions have contributed to the greater availability of conventional weapons.

In the past few years, we have witnessed dramatic declines in conventional arms purchases in the NATO and former Warsaw Pact countries. Arms manufacturers in most of these countries have looked to arms exports as a way to cushion the decline in their traditional markets. A number of governments, which have a strong political and economic interest in minimizing the loss of jobs in the defense industry, have considered arms exports as a partial solution to some of their economic difficulties. For some republics of the former Soviet Union and some countries of Central and Eastern Europe, foreign arms sales represent one of the few ways in which their hard-pressed heavy industries can earn hard currency.

Further contributing to the growth in the transfer of conventional armaments is the implementation of the Conventional Forces in Europe Treaty, which has resulted in making excess a huge volume of conventional armaments located in Europe. As these weapons are removed from Europe, many are now finding their way to third world countries.

The Clinton Administration has initiated a study of our nation's conventional arms transfer policy. A Presidential Review Document is to be issued this week outlining the parameters of this policy review. I commend the President for initiating this most timely review. We look forward to

a hearing — I hope in the not-too-distant future — when we can have representatives of the Administration appear before these subcommittees to discuss the results of that study and the policy recommendations that result from the review. Clearly there are few policies that can make a more important contribution to stability and peace in the world.

Today, we are fortunate to have with us a panel of five excellent witnesses who represent a cross section of thoughtful views on how best to achieve our goals in this critical foreign policy arena. Their testimony here today will help set the stage for the review which the Administration is initiating. Our witnesses are:

- **Dr. Alan A. Platt** — Senior Advisor at the Washington law firm of Gibson, Dunn and Crutcher
- **Joel L. Johnson** — Vice President, International of the Aerospace Industries Association
- **Dr. Caleb S. Rossiter** — Director of the Project on Demilitarization and Democracy
- **William D. Hartung** — Senior Research Fellow, World Policy Institute at the New School for Social Research
- **William Inglee** — Former Deputy Assistant Secretary of Defense for Conventional Forces and Arms Control Policy

Before we begin, I want to thank the staff of the two subcommittees who have been involved in the preparation of this hearing:

- **Brad Gordon**, Staff Director of the Subcommittee on International Operations;
- **Ted Hirsh** and **Jo Weber** of the Subcommittee on International Security, International Organizations and Human Rights;
- **Bob Blumenfield** of Congressman Berman's staff;
- **Mike Ennis** and **Ken Peel**, the minority staff consultants on the two subcommittees;
- and of course **Dr. Robert King**, Staff Director of the Subcommittee on International Security, International Organizations and Human Rights.

I would now like to recognize our Ranking Republican member of the Subcommittee on International Security, International Organizations and Human Rights, Congressman Doug Bereuter of Nebraska.

I would also like to recognize our Ranking Republican member of the Subcommittee on International Operations Congresswoman Olympia Snowe of Maine.

STATEMENT OF
DR. ALAN PLATT, SENIOR ADVISOR
GIBSON, DUNN & CRUTCHER

U.S. POLICY ON CONVENTIONAL ARMS TRANSFERS

BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS
SUBCOMMITTEE ON INTERNATIONAL SECURITY, INTER-
NATIONAL ORGANIZATIONS AND HUMAN RIGHTS

HOUSE COMMITTEE ON FOREIGN AFFAIRS

NOVEMBER 9, 1993

Mr. Chairmen and members of the subcommittees, I am Alan Platt, Senior Advisor in the Washington office of the law firm Gibson, Dunn and Crutcher. For a number of years, I was a member of the senior staff of The RAND Corporation. During the Carter Administration, I served as Chief of the Arms Transfer Division of the U.S. Arms Control and Disarmament Agency. In 1991-92, I served as Project Leader of a bipartisan, Henry Stimson Center-sponsored study group on multilateral arms transfer guidelines for the Middle East. In all of these capacities -- for much of my professional life -- I have worked on matters related to arms transfers.

I am pleased to appear before you today to speak on the issue of U.S. policy on conventional arms transfers. I had the privilege to testify on a similar subject before two other subcommittees of the Foreign Affairs Committee roughly eighteen months ago. Then as now, the fundamental point is the same: an important and as yet unexploited opportunity exists for the United States, in the wake of the Cold War and the Gulf War, to devise and lead a multilateral effort to regulate conventional arms transfers. The continued relevance of this point, is, unfortunately, reflective of a key fact: that the United States Government, despite the holding of a

presidential election more than a year ago, still does not have, as best I can tell, a considered and declared policy with respect to conventional arms transfers.

The absence of a coherent, rather than a purely ad hoc, Administration policy in this area is unfortunate and in some ways suprising. During his campaign for President, candidate Bill Clinton talked about the need for limiting the transfer of ever more destructive arms to the developing world. And during his first year in office, President Clinton has periodically referred to this problem. Yet, in the Clinton Administration's September 27, 1993 proclamation on non-proliferation and export control, nothing is said about American conventional arms transfer policy. Rather, in this White House announcement, it is only declared that "the U.S. will undertake a comprehensive review of conventional arms transfer policy, taking into account national security, arms control, trade, budgetary and economic competitiveness considerations."

Now is the time for the United States, the world's increasingly dominant arms supplier, to coordinate and implement concrete, bipartisan, multilateral initiatives regarding conventional arms transfers, not to engage in yet further study. Starved for hard currency, Russia is accelerating by the day its efforts to sell advanced arms throughout the Third World. Indeed, the leading Russian arms

manufacturers recently were reported to have formed a new consortium organized for the sole purpose of promoting weapons exports to developing countries. Last week's Economist reported that a similar consortium -- the Research, Development and Production Group-- has been formed in the Czech Republic to promote arms exports. Further, the Czechs' most advanced engineering consortium has just opened a permanent office in Tehran, while the Slovaks continue to sell T-72 tanks to Syria and chemical weapons detection equipment to buyers throughout the Third World.

In the Middle East, the region of the developing world that imports the greatest quantities of arms, the historic peace accord between Israel and the PLO could provide new will and momentum toward a regional arms transfer restraint regime. Alternatively, if weapon transfers into this region continue to proceed in an unregulated manner, peace efforts may well be jeopardized. For example, is it not counter-intuitive for the world's major arms suppliers to encourage formal multilateral arms control talks in the Middle East at the same time as they flood the region with new advanced weapons? And is it possible to conceive of a viable Israel-Syria peace agreement regarding the Golan Heights if Syria acquires in substantial numbers Russia's most advanced weapons, including long-range surface-to-air missiles?

The approach I will propose today is a centrist, hard-headed, pragmatic one aimed at enhancing U.S. national security interests. It focuses primarily on the Middle East and has several premises. First, I believe we now have a rare, if not unique, opportunity to establish an effective international arms transfer restraint regime. The end of the Cold War, the destructiveness of the Gulf War, and the relative lack of resources in many developing countries to purchase expensive new arms all augur well for near-term, well-thought-out arms transfer restraint efforts.

My second premise is that absent such limitations, the uncontrolled transfer of advanced conventional arms into regions of high tension may threaten in new and dangerous ways American security interests around the world. We want to be sure, for example, that if the United States decides to deploy forces to Kuwait or Somalia or elsewhere, those forces will not face the most advanced weapons that U.S. forces currently possess. Put another way, it is in all Americans' interest regardless of ideology to want to be sure that if we have another Gulf-type war, the U.S. will have a good prospect of achieving the same kind of quick success with low casualties that occurred during the Persian Gulf War.

Third, the only kind of restraint regime that will be effective over time will be one that is multilateral, not unilateral, in character. Unilateral restraint efforts have

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been tried in the past, including during the Carter Administration, and were found wanting over time. That being said, it is likely to be necessary in near-term for the United States both to exercise some unilateral restraint and to exert considerable pressure on the world's other major arms suppliers to participate in international restraint efforts.

Fourth, I believe that the U.S. defense industry has been a crucial pillar of our domestic economy over the past decades, and will clearly remain so. The trend lines unmistakably show, however, long-range growth depends on competitiveness in the civilian economy, and our emphasis must increasingly be shifted there. A policy of looking to arms exports for economic growth is an unpredictable and unreliable way to help ease the severe problems facing our defense industry and our national economy, a fact that Deputy Secretary of Defense Bill Perry has rightly underscored in several recent speeches.

In light of these premises, I recommend the following summary points as the foundation for future U.S. arms transfer policy. These suggestions should by no means be seen as exhaustive, but rather as starting points for future discussion and elaboration.

A. The United States should immediately step up diplomatic pressure to reconvene a forum of the world's five

largest arms suppliers, or among four nations if China chooses not to participate. Together these countries account for over 90 percent of the international arms trade, and in the short run, their consensus on selective international restraint measures could be highly effective. It is important, however, that they jointly announce at the outset of their discussions that their eventual goal is to broaden the process to include other, second-tier arms producers as well as arms purchasers.

Here, I might note that when I appeared before the Foreign Affairs Committee roughly eighteen months ago, I proposed that any arms transfer restraint efforts in the Middle East should be focused on military-technical issues and should not be linked to broader regional political questions. Associating conventional arms transfer limitations to an overall Middle East peace settlement, I argued, might hinder progress on the former while contributing relatively little to the latter. Now, following the historic breakthrough in relations between Israel and the PLO, I believe that the establishment of an arms transfer restraint regime might benefit from "piggy backing" onto political developments in the Middle East. High-level world attention remains focused on political and economic developments in that region, making the achievement of a consensus toward limiting arms transfers there more possible. Moreover, regional participation in international arms transfer restraint discussions might serve

as a valuable confidence-building measure in the context of overall peace-making efforts in the region.

B. International discussions about conventional arms transfer restraint should focus on weapons or sub-systems incorporating technologies that are not currently in a given region or are in that region in very limited amounts. The objective would be to ban the introduction of new types of advanced weapons or sub-systems that could stimulate new rounds of arms transfers or significantly alter the balance of forces in a given region. Such an effort would have to be led by the world's major arms suppliers. It might start, illustratively, with banning the transfer into certain regions such categories of weapons as: stealth aircraft, surface-to-surface missiles, long-range cruise missiles, and space-based real-time targeting systems. Following agreement on these sorts of very advanced systems, international talks might then move on to consider limits on progressively less sophisticated weapons and sub-systems.

C. The voluntary United Nations Registry of major arms transfers has been a positive first step toward greater transparency. It should be followed up by concerted efforts to make participation mandatory. Follow-up efforts should also focus on creating a mechanism for reporting prior to delivery rather than after the fact, as is now the case.

D. The United States should play a lead role in encouraging a series of regular meetings among the world's major arms suppliers to explore possible joint efforts concerning the growing overcapacity in the world's arms markets. This structural problem confronts industrialized countries as well as second-tier supplier nations. These multilateral meetings would address such issues as defense procurement practices, unemployment problems, and structural adjustment policies in supplier countries, with the aim fostering a multilateral military build-down. Later this month, the U.S. is due to host an international summit meeting on jobs. At this meeting President Clinton could sensibly begin a dialogue about the implications of this overcapacity in the world's arms markets.

It is difficult to estimate the possibility of successfully establishing a regime to limit selectively conventional arms transfers. It is certain, however, that the circumstances for doing so have seldom, if every, been so favorable. And given that the only true certainty in the world is change, it is unlikely that they will remain so indefinitely. In May, 1991, President Bush said that it would be "tragic" to miss the opportunity that was then unfolding to establish a conventional arms transfer regime. We have not lost this opportunity, but we have been slow seizing it.

The best explanation for this, I believe, can be found in a recent observation made by Tony Lake, the President's National Security Adviser, with regard to how this country sometimes approaches foreign policy issues. All too often, he said, we confuse the immediate with the important, and we do so at our peril. Establishing selective multilateral controls on conventional arms transfers is extremely important. Fortunately, there has been no recent crisis to bring it into public focus as an immediate issue. Yet the historic opportunity the Clinton Administration has to establish such a regime is, if not immediate, likely temporary and brief.

I applaud the continuing efforts of this Committee to encourage the administration to pursue multilateral arms transfer restraint initiatives and am ready to answer your questions.

Thank you.

Conventional Arms Transfer Policy:
An Industry Perspective

Joel L. Johnson
Vice President, International
Aerospace Industries Association

November 9, 1993

Subcommittees on
International Organizations and Human Rights
International Operations

This testimony is presented on behalf of the Aerospace Industries Association, which represents the major U.S. producers of commercial, military and business aircraft, aircraft engines, missiles, spacecraft, and related components and equipment. The aerospace industry employs roughly one million Americans, including the largest concentration of scientists and engineers of any industrial sector in the United States. Last year this industry exported products valued at \$44 billion, and produced a positive trade balance of \$33 billion, the largest of any industrial sector.

The subject of arms transfers is obviously of great importance to the aerospace industry, which accounts for the bulk of such exports. The debate on appropriate U.S. policy involves such issues as national security, regional arms balances, the U.S. defense industrial base, future competitiveness, jobs, ethnic politics, and morality. It is not surprising, therefore, that the debate is at times heated, and that participants in the debate are all too often talking past each other.

This testimony will survey the current state of global arms trade and how that trade affects the U.S. industrial base. It will then suggest some guidelines for a sensible arms transfer policy.

Exports and the U.S. Defense Industry

Before moving to a broader discussion of arms transfer policy, it would be useful to review the importance of exports to the U.S. defense industry, and what trends might occur during the rest of the nineties. Currently, about 20% of this country's production of conventional weapons is exported. This is lower than most other producers of defense equipment, but sharply higher than the historic norm for the U.S. The U.S., with its large domestic defense budget, has always had the luxury of designing a product strictly for our own military, generally for a single service.

Over the remainder of the decade exports of defense equipment will likely continue to climb as a percentage of production to 25% or more of conventional weapons production. This is because domestic purchases will drop to somewhere around \$50-60 billion, and because international purchases will hold constant at around \$15-17 billion. In turn, the greater importance of exports to total production of defense products is likely to increase the attention paid to export markets by both industry and government.

There are several reasons for that outlook. Defense budgets in some regions of the world are increasing, not decreasing. Countries along the Pacific rim, from Japan to Australia, eye with concern a declining U.S. presence combined with uncertainty as to the future nature and policies of Russia, North Korea, China, and India. In the aftermath of the Gulf War, even if there is some success in limiting arms purchases in the Middle East, it seems quite likely that purchases by those countries to which U.S. industry is allowed to sell - the Gulf Cooperation States, Egypt, and Israel, will likely continue, and in some cases, increase.

For some major weapons platforms, there may be some reversal of the recent trend for every country to demand direct offsets or licensed production of imported systems. The cost is just too high, and will be higher as the number of units they acquire decreases. Japan and Korea have both suffered from sticker shock with respect to their respective fighter programs. Israel earlier decided it could not afford to build the Lavi fighter. Even the Europeans will have to think long and hard about the European Fighter Aircraft (EFA) and Rafael projects, as contemplated purchases shrink and unit costs rise.

The U.S. military services, the Department of Defense, and civilian government agencies are beginning to recognize that exports of defense products can be important to hold down unit costs of DoD purchases, and even to keep production lines open. As a consequence there is new interest in actually supporting U.S. industry in its sales efforts. The same is true of some in Congress, who are beginning to see lowered defense budgets result in plant layoffs and decreased work for subcontractors.

That interest is justified. The good news from the Gulf War was that U.S. systems worked. But those systems are based on 1970's technology and are phasing out of DoD procurement in the mid 1990's. Such systems include the AWACs, F-14, F-15, F-16, M1 tank, Bradley infantry fighting vehicle, Multiple Launch Rocket System (MLRS), Apache attack helicopter and Patriot ground to air missile.

Replacements based on 1980's technology will not move into the production phase until the late 1990's. Thus there is a gap in the mid 1990's which could leave the U.S. without a warm production line, and worse, a trained labor force, for key systems and their components. Exports to friendly countries can help keep those lines warm.

U.S. Arms Sales: Rhetoric and Reality

There are three myths regarding U.S. arms sales which should be addressed at this point. First is the notion that as the world's leading arms seller, the U.S. must show greater self restraint if it is to convince others to do likewise. The fact is that the U.S. over the past decade or so accounted for between 20-25% of world trade in arms. The Soviets accounted for between 40-50%.

Realistically, however, a large share of the Soviet transfers involved military assistance or "friendship prices" to countries such as Vietnam, Afghanistan, Nicaragua, Cuba, Angola and Ethiopia. These transfers have fallen off sharply. Furthermore, world arms transfers have steadily declined since 1988, even if Soviet sales are excluded. U.S. deliveries have also declined over the period. A number of Third World countries lost their market when Iraq was placed under UN sanctions. The combination of the drop in Soviet and Third World sales, plus the fact that the U.S. had held market share better than its competitors, has resulted in the U.S. accounting for between 50-60% of world arms transfers.

Predictably, this percentage increase has resulted in even more expressions of concern over the role of the U.S. as world arms supplier, even though the change in our percentage of world trade actually represents a statistical change, but not a change in volume of exports. However, that the U.S. should account for half of the world market for defense products is not surprising. The U.S. has long had a defense budget double that of Western Europe, with a large investment in military research and development, and greater and longer production lines.

Similar factors (a large domestic market, active civil aerospace research) resulted in the U.S. holding over 70% of the world market for civil aircraft. The U.S. would likely have a comparable share of world defense markets were it not that it has one of the most restrictive government regimes controlling arms transfers of any arms producing nation. The fact is that the U.S. has been among the most restrictive of nations in its arms transfer policies, and other countries, rather than following our lead, have jumped into markets denied to our producers.

Second, no one in industry believes exports can offset the decline in domestic sales. Domestic procurement has fallen 50% since 1985 levels, or roughly \$50 billion. Exports are likely to remain steady or at best increase by a billion or two. Nonetheless, those exports tend to include major platforms which are already in production, and hence keep lines open and skilled blue collar workers employed. An increasing share of the domestic procurement budget over the next few years will be spent on development of new systems, such as the F-22 and Comanche helicopter, which are more intensive in engineering skills, but will not involve much production for some years.

In this context, the claim is often made that allowing U.S. defense companies to export only postpones the inevitable necessity of adjusting to the smaller defense budgets of the post Cold War era. This is somewhat irritating to an industry which has in the past three years shrunk its work force by 300,000, or nearly 25% and undergone mergers of companies and reductions in plant facilities. In fact, most observers believe that industry is well past the half-way point in adjusting to lower defense budgets - and it might be noted that this adjustment occurred without any government conversion programs in place. That having been said, we see no reason to abandon foreign markets and throw more U.S. workers into an economy which is still struggling, when we believe we have superior products which can be sold to acceptable customers.

Third, U.S. industry does not believe that increasing its export promotion efforts will have much impact on the total size of the world export market, which is likely to stabilize at current levels or shrink a bit more. Rather its efforts are aimed at encouraging countries to look favorably on U.S. products when it comes to using the defense funds they do spend, rather than those of our competitors. We know that there is major excess production capacity for defense products in all industrial countries - the United States, Europe, and the former Soviet bloc countries and republics. We will all shrink our defense industrial base and suffer the dislocations that go with such an adjustment. Success in those defense markets which do exist will have some role in determining how that pain is distributed.

Conversion plans, however well intentioned, will do little to alleviate such transition costs. Highly specialized defense companies are unlikely to be more successful at changing product lines with the same plant and work force than have been the textile, steel, automotive, or electronic consumer goods industries. Quite frankly, therefore, we would rather have more, rather than less international defense business and jobs in this country than in others. We think that is also in the interest of the U.S. government.

Third World Myths

There are also some mythologies that have grown up around arms trade with the developing countries, or Third World, which should be addressed. First is the claim that 40 million people, mostly civilians, died as a result of civil and international wars fought with conventional weapons during the Cold War. The fact is that most deaths in the Third World related to civil violence and war were actually caused by malnutrition and disease brought on by the disruption of agriculture and food and medical delivery systems. Most of that disruption, as well as most people actually killed by violence, relate to the use by troops and guerrillas of small arms, mines, and light artillery.

Yet none of these weapons are even included by the UN registry, are the subject of discussion by the Security Council Permanent Five, or counted with any accuracy by the Congressional Research Service, the Arms Control and Disarmament Agency, or SIPRI. The fact is, large weapons platforms, which account for most dollar value of arms transfers, are used primarily to destroy other weapons platforms and infrastructure. Abolishing all trade in weapons platforms would have little effect on death related to violence in the Third World. If that issue is to be addressed, it must be done by addressing the reasons for such violence.

Second, there is the presumed link between expenditures on weapons systems and defense, versus expenditures on social programs and economic growth. While common sense might tell you there should be some relationship, observation of the real world makes that case hard to prove. The region of the world that has historically spent the least percentage of its gross national product on defense and weapons is Subsaharan Africa. It is also the part of the world that has consistently had the worst economic growth record. On the other hand, countries such as Korea and Taiwan, which have dedicated relatively large shares of their economic resources to defense, have also had the most remarkable economic growth records in world history.

Even if there were a connection between arms transfers and poverty and war among and within poor countries, there is little that can be done about it through changing U.S. arms transfer policy. According to the Arms Control and Disarmament Agency, during the decade from 1979-1989, the U.S. accounted for only 5.4% of the arms imported by all the countries in Africa, Latin America, and South Asia, where the vast bulk of the poor people in the world live. Conversely, of total U.S. arms exports during that period, only 6.9% went to those three regions. The bottom line is that if there had been no U.S. arms exports to the parts of the world accounting for well over 90% of the world's poor people, it would have made almost no difference to the countries or to the economic welfare of the U.S. defense industry.

Finally, there is concern that American troops may find themselves facing American weapons in some future Third World conflict. This concern must of course be taken seriously. Two points should be made. First, the track record so far is very good. No American soldier faced U.S. equipment in Iraq. A recent Congressional Research Service study notes that there is little evidence of U.S. weapons in Somalia, and in fact the last weapons transfer to that country was a decade ago. There is almost no instance of a country which is primarily dependent on U.S. weapons using those weapons in an offensive manner.

Second, the problem for American soldiers is getting shot at by any weapons system - not just an American one. In fact, where we do supply weapons we know precisely what capabilities the systems have. We are more able to "pull the plug" on the support system for that equipment if the acquiring country takes steps deemed hostile to the U.S. Where weapons are highly dependent on software, the vendor of the weapons controls the software, and what the system will do under what circumstances. In that context, it will be increasingly advantageous to be the source of such weapons systems.

Arms Control

Given that background, three avenues can be examined by which the United States can discourage proliferation of unconventional weapons and regional arms races. The most effective is encouraging the peaceful resolution of regional conflict and the agreement by countries within a region to limit the type and quantity of weapons systems produced or imported by countries in the area.

Time and again we have seen that when countries are determined to obtain weapons they believe are necessary for their own national requirements, they will obtain them, either through purchase or through indigenous production. Once they enter into production of a system, their own small domestic markets almost invariably mean they themselves turn to exporting to gain economies of scale. International efforts can slow such activity, but seldom stop it all together. Examples include Chile, Argentina, Brazil, Israel, South Africa, Taiwan, both Koreas, and Iraq.

Consequently efforts to reduce arms buildups will be most effective if the countries involved in a potential build-up are voluntary participants in establishing some limitations. The United States should work to encourage such agreements through playing honest broker, providing technical assistance, and if required, providing appropriate surveillance information to assure that all parties to an agreement are in compliance. The U.S. now has considerable experience gained in negotiating and implementing a variety of regional arms control agreements, both involving nuclear weapons and delivery systems, as well as conventional weapons. It could bring that experience to bear in encouraging other regional groupings of countries, such as Latin America, ASEAN, Subsaharan Africa, and the Middle East, to work towards similar agreements.

Second, supplier countries can work together to control the spread of technology and weapons systems. This approach is used in such organizations as COCOM, the Missile Technology Control Regime (MTCR), Australia Group, etc. To be effective, such a group must include all major possessors of the technology or production capacity for the weapons to be controlled. Here, experience would indicate that the narrower the list of items to be controlled, and the narrower the list of countries on which controls are imposed, the more likely the success of the agreement.

However, even agreements which include all major potential suppliers can only be effective over a limited time frame if a country has the finances and technical capability to develop its own capacity. Hence supplier groups should be seen as stop-gap measures while efforts are made to convince countries to voluntarily renounce certain capabilities or weapons systems.

Finally, the U.S. can unilaterally limit exports of certain technology and weapons. There are two reasons to do so. First, in some cases the U.S. may be the sole possessor of a technology or weapons system, and withholding that capability slows its spread and provides the U.S. with a technological edge over potential adversaries. Second, a particular country may be so reprehensible that the U.S. wishes to distance itself from that country, even though it is almost certain the country will obtain the desired technology or weapons systems from other sources.

Unilateral self restraint, however, has seldom encouraged other suppliers to follow suit. More frequently markets have simply been taken away from U.S. suppliers and promptly been filled by our competitors. For example, when the Carter Administration refused to allow sales of sophisticated military equipment to Latin America, world sales of defense products to the region nearly tripled, while the U.S. market share dropped from 20% to 5%. The U.S. sold no weapons systems to Iraq for two decades, yet it managed to arm the world's fourth largest military establishment without difficulty. The U.S. has not sold a modern submarine to any country, yet at least 40 other countries deploy such submarines, and seven countries export them.

The bottom line is that most people who die from conflict do so from disruption caused by small arms, mines, and artillery produced by dozens of countries. The technology involved in weapons of mass destruction and basic delivery systems are over half a century old. Unilateral, and even multilateral controls by suppliers can therefore at best be temporary measures while we concentrate on seeking regional solutions to problems which cause conflict.

Government-Industry Cooperation on Defense Trade

Industry assumes our government will continue to pursue an active policy of encouraging sensible arms limitation agreements among supplier and user groups. But we also believe government should continue to allow U.S. defense equipment to be made available to friendly countries which have legitimate defense requirements. Furthermore, in such instances industry would argue that it is appropriate for our government to work with industry to see that such friendly countries purchase U.S. products rather than those of our competitors.

The U.S. government and our taxpayers benefit when countries buy our defense products. Exports of U.S. defense equipment to friendly countries can increase their ability to defend themselves and make joint activities easier through standardization of equipment. Such sales increase our influence on the purchasing country's actions, both because of the ties that are established between our defense establishment and theirs, and because their equipment will not be operable long without continued U.S. support.

Economically, as already noted, foreign sales lower unit costs of equipment purchased by our own military. In some cases exports will be all that keep certain lines open - lines which provide the U.S. with a continued industrial base and trained manpower for use in emergency, or as resources which can help launch new defense systems several years from now. And note that these industrial base advantages are paid for by foreign taxpayers, rather than our own. Finally, it should be noted that, economically, defense exports have the same impact as all other exports - they create jobs and help our trade balance.

Given these advantages to our government, we believe it is only reasonable that our government help make such sales happen. When there is a competition for a new defense system, our embassies and senior government officials should make clear to the purchasing nation that there are clear advantages to buying an American product. Such political support can be forthcoming whether there is only one U.S. competitor, or if there is more than one. We are pleased that the last Administration adopted such a policy, and the current one has reaffirmed it.

Another longstanding issue for the defense industry, recoupment of research and development costs, is well on its way to solution. While the Arms Export Control Act only requires such recoupment on government to government sales of major defense equipment, over the years DoD greatly expanded its regulations to include commercial sales and non-major defense equipment, and even tried to track any technology which migrates to nonmilitary items for recoupment charges. The latter effort was directly at odds with the idea that defense companies should try to branch out to commercial sectors.

The last Administration determined that recoupment policies had outlived their usefulness, and the Clinton Administration agreed. All administratively imposed recoupment charges have been eliminated, and the Administration has asked Congress to repeal the section of the AECA which requires recoupment on government to government sales. We hope Congress will respond affirmatively.

We believe the U.S. government could do more to help make American military equipment available to U.S. industry under favorable conditions for use in international trade shows and national demonstrations. We have made considerable progress, but DoD has yet to use the full authority provided to it in legislation passed last year. We will encourage DoD to do so.

We also continue to press for some kind of export financing facility for defense products. While most of our competitors can use their governments official financing facilities for defense products, our Eximbank is prohibited from doing likewise. We believe a guarantee facility for private lending, which would restrict loans to the same official borrowers which are currently eligible for Eximbank long term lending guarantees, would be helpful in competing for markets in middle income countries which tend to need financing for commercial and military purchases of capital equipment. We were pleased that such a facility was authorized for FY 1995, but of course disappointed that funds were not appropriated for that purpose. Industry will work with the Administration and the Congress with the objective of gaining approval for such a facility in FY 1995.

Finally, we have indicated to DoD and the Services that the large amount of U.S. defense equipment which may be declared excess to a reduced military establishment should be made available to foreign countries only after considering the potential impact on the domestic defense industrial base. We have already seen instances of the Congress having to purchase unwanted equipment to keep production lines open, when similar equipment has been given away to countries which might well have had the economic resources to purchase new equipment. We have been pleased at the cooperative attitude we have encountered at DoD in addressing this issue.

These kinds of government supports for the defense industry involve little or no budgetary outlays. They can help the defense industry do what it best knows how to do, particularly during the next three or four years as the shape of future budgets and defense strategy becomes clearer. They do not represent special treatment, but only treatment comparable to that provided by our government to all other industries. Exports of defense equipment should be controlled through the licensing and Congressional review process, not by imposing other obstacles in the course of doing business.

Conclusion

To summarize, the aerospace industry believes that the U.S. government should pursue a two-track approach to defense trade, encouraging multilateral efforts to reduce arms races and proliferation of dangerous weapons, and making available arms and technology to friendly countries when appropriate. To that end the U.S. should:

- play a leadership role in encouraging regional groups of countries to voluntarily limit the quantity and quality of weapons in the region, regardless of whether such weapons are imported or domestically produced. The U.S. should support any such agreements.
- encourage supplier nations of types of weapons and technology to agree to multilateral efforts to impose restraints on the transfer of such weapons and technology. This should particularly pertain to weapons of mass destruction and related delivery systems.
- make available appropriate weapons systems to friendly countries which have legitimate defense needs, including their own protection and their participation in regional and international peacekeeping efforts.
- encourage friendly countries to purchase U.S. defense products in preference to those from other countries, when it is determined that the transfer of a type of system to a specific country is consistent with U.S. foreign policy interests.
- facilitate cooperation between U.S. defense industry and that of our allies through minimizing technology transfer controls between the U.S. and other friendly countries.

The U.S. defense industry believes it is possible to pursue such a two track policy of promoting arms restraint, while encouraging friendly countries to base their defense requirements on U.S. products. This is a sensible policy which serves both foreign policy and economic interests. Industry stands ready to work with both the executive branch and the Congress in pursuing such a policy.

Testimony of Dr. Caleb S. Rossiter

Director of the Project on Demilitarization and Democracy

before the Subcommittee on International Security, International
Organizations and Human Rights

and

the Subcommittee on International Operations

of the House Committee on Foreign Affairs

November 9, 1993

Title of Hearing:

"U.S. POLICY ON CONVENTIONAL ARMS TRANSFERS"

Chairman Lantos, Chairman Berman, and Members of the Committee, my testimony today will preview the upcoming campaign for a Code of Conduct on arms sales, and explain why international security and the American economy would both benefit greatly from this Code, which would ban arms transfers to dictators, human rights abusers, countries in conflict, and governments not cooperating with arms control efforts.

I am honored to have the opportunity to offer this testimony, both because of whom I'm speaking to, and because of whom I'm speaking for.

As deputy director of the Arms Control and Foreign Policy Caucus in the 1980s, I had the privilege of working with Members of this Committee who helped bring the era of war in Central America to a close. There was nothing I was more proud of during my tenure at the Caucus than our report on the Salvadoran High Command, "Barriers to Reform," which Representative Berman sponsored during his tenure as chair of the Caucus along with Representative George Miller and Senator Mark Hatfield. That report, detailing human rights abuses committed under those officers' commands, helped convince Congress to end military aid to El Salvador, which in turn led to the peace settlement there.

So, it is personally very gratifying to be speaking to this Committee as it starts to bring under control another threat to international peace and human rights: record levels of U.S. arms transfers to undemocratic governments and repressive armed forces, world-wide.

And whom I am speaking for today are the roughly 50 citizens' organizations who later this month will be formally kicking off the Code of Conduct campaign. Members of the Arms Transfer Working Group, which began meeting after the Gulf War to block a repetition of the short-sighted policy that armed Iraq, prepared the Code of Conduct campaign, but they have involved a broad array of other organizations.

As a result, endorsers of the Code so far include not only groups focused on arms control (like the Council for A Livable World) and economic conversion and the military budget (like the National Commission on Economic Conversion and Disarmament), but also groups focused on international development (like Bread for the World, the Development GAP, the Alliance for Child Survival, and my organization, the Project on Demilitarization and Democracy), citizen lobby groups (like Peace Action, formerly known as SANE/Freeze, and RESULTS), veterans groups (like the Vietnam Veterans of America Foundation), scientific groups (like the Federation of American Scientists), human rights groups (like

Human Rights Watch), women's groups (like Women's Action for New Directions), and religious groups (like the Friends Committee on National Legislation, the Unitarian Universalist Association of Congregations, the Mennonite Central Committee, and the Catholic social justice lobby NETWORK).

These groups played leading roles in the key citizen foreign policy initiatives of the 1980s, like the nuclear freeze, the anti-apartheid movement, the drive against aid to the contras, and the drive for sustainable development and famine relief in Africa. Now, they have come together to support this new initiative, the Code of Conduct on arms transfers, an initiative that they are committed to making, first, as publicized, and then as successful as these others were.

The goals of all of these groups -- such as fully-functioning democracy, human rights, maternal and child health, less U.S. military spending, economic conversion at home and sustainable development abroad, and nuclear arms control -- are unlikely to be achieved without a dramatic reduction in armament and conflict in the developing world, and that reduction is unlikely to be achieved when we are supplying record levels of weapons to dictators.

Before I describe the Code of Conduct, I would like to take a few minutes and explain why this campaign is necessary. To be

blunt, we are coming to Congress to ask for leadership because we have already gone to the administration, and discovered a vacuum in presidential leadership that has allowed arms exporters to make record sales to dictators this year. The system is out of control, and Congress simply must step in and take some responsibility.

The title of this hearing is misleading: There is no U.S. policy on conventional arms transfers. I know because delegations from the Arms Transfer Working Group have met with top officials throughout the Clinton administration, and were told, in effect, that we were right on the issue, but wrong on the politics. They said that they can't really get at this issue until they figure out how to answer what they assume will be the President's first question: how many jobs will a change in direction cost? We have even been told that we'll have to wait until a second Clinton term for this administration to be able, politically, to take on the arms exporters, their campaign contributions, and their self-serving and, as I will show later in my testimony, misleading cry of "jobs, jobs, jobs."

The administration has insisted that it must focus its non-proliferation efforts not on conventional arms, but on nuclear weapons, which Secretary Christopher again identified last week as the "most serious threat in the post-Cold War era." This distinction between types of proliferation is misleading. Not

only are conventional weapons also weapons of mass destruction, as proved by the 40 million people killed in the developing world as a result of conflict since World War II, but nuclear proliferation is inescapably linked to conventional proliferation. For example, China's shipments of missile technology to Pakistan and its recent nuclear test follow directly from our sale of F-16 fighters to Taiwan during the last presidential campaign, which had little to do with foreign policy, but a lot to do with electoral votes in Texas.

The state of disarray in this administration on arms transfers is shown nowhere better than in the recent congressional deliberations over the Kempthorne amendment in the Defense authorization and appropriation. Here was a \$1 billion arms export bank, created by legislation written by the Aerospace Industries Association, which is the lobbyist for the biggest arms exporters. It was not part of the Pentagon's request, it set up a whole new subsidy program at a time when budget cuts are killing off scores of old ones, and it pre-judged and compromised the administration's own policy review on conventional arms transfers.

And what did the State Department and the National Security Council do about this amendment when it was being fought out in conference? They never really weighed in. These agencies most responsible for determining foreign policy simply ducked. The

Office of Management and Budget did oppose the amendment, but tepidly, on procedural grounds, in effect leaving the field to Commerce Secretary Brown, who endorsed the amendment in principle. The Pentagon tried to be "neutral." Now, how can you be neutral on starting a new round of export competition in an over-militarized world? No wonder we're in a record year for arms exports, with sales of over \$28 billion expected.

The endorsers of the Code of Conduct campaign have come to Congress for leadership because U.S. security can not afford to wait for a possible second Clinton term. Let me give an example from the past to show what I mean. I recall a congressional study from the start of another administration, in another year of then-record arms sales, a study that warned of security threats from our own weapons if we continued our open bar policy. The year was 1982, the administration was that of President Reagan, and the study was "Selling Ourselves Short," by the Senate Democratic Policy Committee's Kevin Nealer, under the direction of then-Minority Leader Robert Byrd. There were two Congressional Research Service studies reproduced in that report; one was "Trends in Conventional Arms Transfers to the Third World," by noted CRS senior specialist Richard Grimmett, and the other was "U.S. Arms Transfers to the Third World: the Implications of Sophistication," by a very junior analyst, myself.

When Senator Byrd released the report, he introduced legislation reversing the Arms Export Control Act to require congressional approval, rather than disapproval, of major sales to developing countries. That legislation never became law, and as a result, arms transfers to dictators and repressive armed forces became a normal tool of our foreign policy. Ten years later, we would do well to look back on the wreckage from the dozens of conflicts that took place across the developing world, and wonder why Congress didn't follow Senator Byrd's advice.

In their last three deployments for combat, in Panama, Iraq, and Somalia, U.S. troops faced weapons and weapons technology that we ourselves provided or financed. And if our forces go into Haiti, they will be facing a 7,000-man force armed with \$4 million worth of U.S. weapons in the past decade, led by 218 officers trained in that period by the International Military Education and Training program. Arms transfers to dictators today by the Clinton administration are creating tomorrow's Somalias, places where U.S. weapons will be used to repress democratic movements and perhaps even attack our own armed forces.

According to Dr. Grimmer's annual CRS study, our foreign military sales agreements with developing countries have more than doubled since the end of the Cold War, from a \$7 billion a year average (1986-89) to a \$16 billion a year average (1990-92).

I have used the Pentagon's country-by-country figures to determine the percentages of arms sales to the developing world that go to undemocratic countries, meaning countries where, according to the State Department in its Country Reports on Human Rights, citizens do not have the effective ability to change their government peacefully. (Total sales in these calculations are slightly different from CRS totals, because of a different annual reporting period and a different definition of the developing world.) The results are chilling.

In 1990, 81 percent of U.S. arms sales to the developing world were to undemocratic countries. In 1991, the percentage was 90 percent. In 1992, it fell to 39 percent, because of large sales to South Korea and Turkey, both countries with open electoral systems, and delays in actually signing \$19 billion of other agreements announced during or just after the fiscal year: \$9 billion for the F-15 sale to Saudi Arabia, \$6 billion for the F-16 sale to Taiwan, and \$4 billion for the M-1A2 tank sale to Kuwait. In 1993, with these sales included, the share of our sales to developing countries that goes to dictators will almost certainly return to the 90th percentile.

Let me be clear about this point: the first year of the Clinton administration will be the biggest year ever for U.S. arms sales to dictators, with close to \$20 billion in total agreements. This is a policy that is a disaster for our

strategic interests in a developing world that is politically stable and economically growing.

But as Members of this Committee know all too well, arms transfers are rarely discussed on the strategic plane anymore. As our project showed in a report earlier this year, "Abrams Tanks for Kuwait: A Sale in Search of a Mission," the military services have to support sales that place our best weapons in unstable hands, because without the sales, Congress would force the services to use their own budgets to keep production lines open. In the aftermath of the Cold War, with declining Pentagon procurement throwing hundreds of thousands of defense workers out of jobs, we no longer hear talk of strategy, but only economics. Well, fine, let's talk economics. Let's take a look at the arms exporters' cry of "jobs, jobs, jobs" that has so paralyzed this administration.

I submit to this committee that in net terms, arms sales to developing countries actually cost the American economy jobs. How can that be? After all, according to Dr. Greg Bischak of the National Commission on Economic Conversion and Disarmament, each \$1 billion in sales results in 33,400 job-years, about half from filling the order and half from the "multiplier" effect of this income on other parts of the economy. (I note that these figures are nearly identical to those claimed by the Aerospace Industries Association in the prefatory language to the Kempthorne

amendment.) According to Dr. Bischak, major sales take from three to seven years, so using a five-year average, each \$1 billion maintains 6,680 jobs.

So, 1992's \$13.6 billion in sales to developing countries reported by the Congressional Research Service maintained 90,614 jobs. This is a small number compared to the hundreds of thousands of defense jobs that have disappeared with the end of the Cold War, but it's a lot of jobs nonetheless, especially if it's your job. So why do I say that, overall, these sales actually cost the American economy jobs?

There are four reasons why, ranging from the small and specific to the big and general:

1. The first reason is found in the dirty word of the arms exporting business: offsets. "Offsets" are agreements that American companies make with foreign arms purchasers that do indeed offset the payments the foreign economy makes for the arms purchase. Under offset agreements, the seller commits to using its connections to find markets for foreign goods and services in the United States. This administration, like all others, opposes offsets in principle because, according to Undersecretary of State Lynn Davis, they are "economically inefficient and market distorting." That's another way of saying that offsets are unfair trade practices that cost American jobs. Ms. Davis also

says that, "The demand for offsets is growing, with practically every arms purchaser demanding some form of offset," and that "U.S. firms must offer offsets" to win arms sales abroad.

According to a recent review by Laura Lumpe and Paul Pineo of the Federation of American Scientists, "most arms sales" come with these "hidden side agreements." This and other articles by the Center for Defense Information and Sea Power show offsets costing American jobs by: creating joint ventures with Saudi Arabia, building aircraft parts with Taiwan, and selling Turkish wall-to-wall carpets and Polish hams in America. Recently, Senator Feingold introduced legislation to publicize offsets for arms deals, after a Wisconsin company found itself in competition for a paper machinery contract with a foreign company whose U.S. arms partner under an offset agreement offered \$1.5 million to the American company buying the machinery if it bought from the foreign source. The local politics of arms and jobs can cut both ways, because offsets, this word the arms exporters don't want the public to hear, take thousands of those American "jobs, jobs, jobs" right off the top of every sale.

2. The second reason why arms exports cost jobs is that they drive up foreign aid spending. We spend about \$5 billion a year in foreign aid to give away weapons, and that is money straight out of the taxpayer's pocket, so about a third of arms exports to developing countries create no jobs at all, since they are simply

taking money from one taxpayer's pocket and putting it in another's, and giving away overseas what it bought. And even the cash sales cost us foreign aid money: consider the highly-publicized F-15 sale to Saudi Arabia last fall, which immediately resulted in Israel and Turkey needing, and getting, hotter aircraft and missiles to maintain their superiority over Saudi Arabia.

Israel and Turkey come to the foreign aid window for their weapons, Israel through grants and Turkey with low-interest loans. And, as this Committee knows, Egypt's aid rides with Israel's, and Greece's rides with Turkey's, so the taxpayer effectively subsidized McDonnell-Douglas's profits in the F-15 sale to Saudi Arabia. These aid totals can never be reduced as long as the Middle East continues to be heavily militarized through U.S. sales, and, again, that takes jobs away from the American economy.

3. The third reason why arms exports cost jobs is found in the single biggest discretionary program in the U.S. budget, the Pentagon. Our force levels and defense spending are driven up and kept up by increased threats from foreign forces, and exporting sophisticated and even rudimentary weapons inevitably makes the world a more dangerous and therefore costly place. Let's take one specific example: \$195 million worth of arms transfers to the Somali dictatorship in the 1980s. Yes, those

sales maintained about 1,300 jobs, but they cost probably ten times that many when the taxpayer had to come up with the \$2 billion that the Pentagon has spent trying to clean up the disaster in Somalia that arose from our arming that regime. The bottom-up review by the Pentagon could have saved itself tens of billions of dollars if it had assumed an aggressive administration effort to work with our allies among other arms suppliers to reduce dramatically the transfer of weapons to undemocratic countries.

According to the Atlantic Monthly of this month, Lockheed has tried to convince Congress to purchase the next generation fighter, the F-22, by sending Members a world map showing the number of "advanced fighters" in dubious hands. That listing included 2,000 F-15s, F-16s and F-18s. There's not much I can add to that finding about the relationship between arms sales and Pentagon spending.

4. The final, and probably most important reason, why arms exports cost American jobs is found in their impact on the international economy. Simply put, our economy is dependent on growth in developing countries, and that growth is being battered by wasteful military spending, by low levels of investment due to repression and political instability, and by the high cost of conflicts when they do break out. Again, let me be specific: developing countries spend \$200 billion a year on their armed

forces, four times all foreign aid spending from all sources combined, and 20 times the level of U.S. foreign economic aid; according to econometric analyses by the Overseas Development Council, the recession in developing countries in the 1980s cost us 1.8 million U.S. export jobs, those countries couldn't afford to keep buying our exports at the same rate. A lot of that recession was due to the debt crisis, but who can say that the two dozen wars in the world that ended local and foreign investment and drove millions of refugees into other countries didn't have a major impact as well?

Consider poor Somalia again. When will it ever buy American exports? It has essentially left the world economy, with its only imports being aid shipments funded by the American taxpayer. Consider the countries of Central America: why is Costa Rica able to buy more than twice the amount of U.S. exports per capita that any of its neighbors do? Consider the countries of Southern Africa: why does Botswana buy three times the per-capita U.S. exports of any of its neighbors? Obviously, because these countries have minimal military spending, no conflict, and fully-functioning democracies, and so no need for investment capital and people to flee.

Today, there are two dozen wars raging, creating more El Salvadors and Guatemalas, and more Angolas and Mozambiques, more black holes in the international economy. Let me cite someone

whose concern for others was unchallenged as a source for the selfish conclusion that we too pay for the misery caused by militarization, war and dictatorship abroad. Right before he left on his final trip to Africa in 1989, the late Mickey Leland spoke at a press conference releasing an Arms Control and Foreign Policy Caucus report on the developing world that he sponsored with Senator Hatfield and Representative Matt McHugh.

Mickey said this: "The lack of economic and political opportunity in developing countries is not just a tragedy for their own people -- it is also a challenge to our own well-being....The 23 wars in the developing world not only killed hundreds of thousands of people and created millions of refugees, they also reduced U.S. exports by billions of dollars....A major and immediate cause of hunger and starvation is civil war. There are no winners in futile attempts to settle disputes militarily....The human loss is tragic, the economic drain is incredible." Mickey Leland was right; a world with dramatically less military spending and conflict will be a world with many more U.S. export jobs than a world with continued record U.S. arms sales.

Ironically, one of the recommendations of this Leland-Hatfield-McHugh report was for an end to U.S. arms sales to undemocratic and repressive governments, and that brings us to the Code of Conduct. Let me summarize it for the Committee. The

Code of Conduct is a two-track campaign. One is a grass-roots appeal, the other a legislative plan. The groups backing the Code of Conduct are specifically endorsing the grass-roots appeal, which calls on the United States to ban arms sales to countries that:

1. abuse human rights;
2. deny democratic rights, including the right to free and fair elections;
3. attack their neighbors or wage war against their own people; and
4. undermine international arms control efforts, such as the U.N. arms trade register.

Citizens across the country will publicize this proposal through the media and by contacting Congress and administration officials. The grass-roots appeal notes that, "Legislation embodying this principle is pending in Washington right now. President Clinton and the Congress should make it law." The legislation that refers to will be introduced later this month by Representative Cynthia McKinney and Senator Mark Hatfield. My understanding is that the McKinney-Hatfield bill will provide workable specifics for defining those four categories, and then bar arms transfers to any country that the administration determines does not meet the code, unless a law is passed approving a one-year waiver for the country in question.

The Code of Conduct is of necessity an international campaign, because even though we sell more weapons to developing countries than all other suppliers put together, other countries must join in to make it effective. The British arms control group Saferworld has developed a similar Code of Conduct -- in fact, our groups have borrowed the concept and title from their campaign -- and have had it submitted and in some cases approved by a number of parliamentary bodies in Europe. Conservative Member of Parliament Emma Nicholson has followed up on her commitment to prevent another Gulf War by announcing her intention to submit matching legislation to the McKinney-Hatfield bill in the House of Commons. American arms exporters will tell you that, "if we don't sell, they will," but that is a counsel of despair. A more accurate statement is that as the world's largest exporter of weapons, "if we declare a Code of Conduct, they will be under tremendous pressure to follow it."

For proof on a small scale of the impact of what a U.S. Code of Conduct could achieve, take the land mines moratorium. Last year, Congress enacted a one-year ban on the export of anti-personnel land mines, weapons which have killed or maimed millions of civilians in the past decade. This legislation by Representative Lane Evans and Senator Patrick Leahy was designed to augment the efforts by the Vietnam Veterans of America Foundation and other members of the Arms Transfer Working Group, who hope eventually to achieve a world-wide ban on land-mines, as

there is on chemical and biological weapons.

So, America acted first, and gave up some production jobs, but instead of filling the export gap, other suppliers in Europe have found themselves forced to cooperate, and great progress has been made toward getting them on board a formal agreement. The Clinton administration has taken the land mines moratorium to heart, and now has 50 nations cosponsoring its effort at the United Nations to achieve a worldwide export ban.

Members of the Committee, we ask you to show similar leadership by endorsing this Code of Conduct for all arms sales, and forcing the Clinton administration to push for a multilateral agreement based on America's refusal to provide the means of violence and control to undemocratic governments. The Clinton administration says that one of the pillars of its foreign policy is to promote democracy. Help the administration towards this goal, and give us a foreign policy we can be proud of, one that doesn't put our troops, our economy, and the democratic rights of people around the world at risk for the sake of some short-term profits. Endorse the Code of Conduct campaign, cosponsor the McKinney-Hatfield bill, and ban arms sales to dictators.

Thank you.

* * *

Testimony of William D. Hartung
Senior Research Fellow
World Policy Institute at the New School for Social Research

at Hearings on
U.S. Policy on Conventional Arms Transfers

Before the Subcommittee on International Security,
International Organizations and Human Rights

and the
Subcommittee on International Operations
of the

Committee on Foreign Affairs
U.S. House of Representatives

November 9, 1993

I'd like to thank Representative Berman, Representative Lantos, and the members of these two subcommittees for holding these timely and important hearings. Your leadership on this issue is both welcome and necessary. The letter from 111 members of the House of Representatives to President Clinton that you organized this summer was instrumental in encouraging the administration to begin its review of conventional arms transfer policy. These hearings will play an important role in shaping the direction and emphasis of this long overdue reassessment of U.S. government policies and practices in this area.

Why Arms Transfer Policy Matters

In my fourteen years as an analyst of the conventional arms trade, I have been a consistent advocate of a policy of arms transfer restraint. Now, in this new era for international relations, the prospects for controlling the arms trade and the benefits of doing so are greater than at any time in recent memory. The policies adopted by the United States government over the next few years can make a critical difference in whether this new era is marked by relative peace and prosperity or growing violence, conflict, and disorder.

The Cold War is over, but the world is still at war. An analysis by the New York Times earlier this year identified four dozen ethnic and territorial conflicts that are now under way on five continents. And from the Gulf War to Bosnia to Somalia, imported weaponry has been at the center of the most destructive and destabilizing conflicts of the 1990s. The end of the U.S.-Soviet superpower rivalry has drastically diminished the prospects of a global nuclear confrontation, but it has also unleashed pent up ethnic, religious, territorial, and economic disputes that were simmering beneath the surface of

the Cold War security system. The result has been an outbreak of increasingly volatile conflicts from North Africa to Central Europe to the states of the former Soviet Union. These new wars have rapidly outpaced the capacity or willingness of the United Nations, the United States, NATO, or any other combination of world powers to deal with them, leaving open the possibility for a continued escalation in their size and scope to levels that could rival or exceed the most violent episodes of the Cold War era. A workable plan for a viable post-Cold War security order must include some system for controlling the spread of conventional armaments and military technology to these regions of conflict.

Past efforts to control conventional arms transfers, from the U.S.-French-British Tripartite Agreement on Middle East arms sales of the mid-1950s, to the failed U.S.-Soviet Conventional Arms Transfer (CAT) talks of the 1970s, to the P-5 arms transfer discussions that were sidetracked last year, have all suffered from a tendency to treat arms transfer controls as a secondary issue that can be compromised in the service of other allegedly more important strategic, economic, or foreign policy objectives. When a longstanding ally sought reassurance, or access to an overseas military facility was at stake, or the purported benefits to the economy and the defense industrial base outweighed concerns about the proliferation of conventional armaments, major arms transfers were carried through in a way that undermined any practical possibilities for pursuing multilateral restraint. I have documented this process with respect to the rise and fall of the Carter Administration's arms transfer policy, both in a Spring 1993 article in the World Policy Journal and in my forthcoming book, and I will not repeat those arguments here. Perhaps the best recent example of this willingness to sacrifice the long-term prospects

for restraint to short-term economic and political objectives was the September 1992 agreement to sell 150 F-16 fighter aircraft to Taiwan. By violating the spirit of a 1982 U.S. communique with China that pledged that the United States would not increase the volume or sophistication of weaponry it sells to Taiwan from then-current levels, this proposed sale provided a rationale for China to walk out of the ongoing P-5 arms transfer reduction talks. While some arguments were made about countering recent Chinese purchases of combat aircraft from Russia, it was clear from the haste with which the 1982 commitment was abandoned and the manner in which the sale was announced – at a campaign-style rally in front of cheering workers from the F-16 production facility in Fort Worth, Texas – that pork barrel politics had a lot more to do with the decision than larger considerations of security or arms control.

Given this history, I believe that it is critical that the Clinton Administration's review of conventional arms transfer policy place a strong emphasis on the long-term security benefits of pursuing a policy of arms transfer restraint as distinct from the short-term political and economic advantages of a particular sale. Arms transfer controls can no longer be cast aside when other pressing political or security concerns come to the forefront; controlling the proliferation of the weapons of war must become a first principle of U.S. national security planning.

Why U.S. Policy Matters

The most important single factor in determining the shape of the international arms market in the post-Cold War era and the possibilities for exerting control over it will be the direction of U.S. policy. As the world's leading military power and the world's dominant arms supplying nation, the United States is uniquely positioned to play a

leadership role in crafting a system of multilateral arms transfer restraints. With U.S. leadership, significant progress is possible; absent U.S. leadership, very little of importance can be achieved. I say this first and foremost because of the sheer margin of U.S. dominance of the international arms trade in the post-Cold War period.

Unlike the situation that prevailed for most of the post-World War II era, when the United States and the Soviet Union were vying for the dubious distinction of serving as the world's leading arms supplying nation, over the past few years there really has been no contest. Whether one looks at deliveries of major combat systems worldwide, as measured by the Stockholm International Peace Research Institute, or agreements to sell all types of conventional arms to the Third World, as estimated by the Congressional Research Service, the U.S. stands head and shoulders above all other suppliers, with three to four times the volume of sales of its closest rivals (see Charts I and II, below).

In fact, for sales of weapons to the Third World, where many of the most dangerous conflicts are now being waged, United States controlled 57% of the market for 1992 – more than all other suppliers combined.

There are two principal reasons for the emergence of the United States as the preeminent arms exporting nation of the 1990s. First, the breakup of the Soviet Union resulted in sharp cutbacks in the kinds of subsidized sales to ideological and political allies that had been the staple of Soviet sales during the Cold War. It also engendered fears about the long-term stability and the resulting reliability and sustainability of Russian weapons systems that have prevented Russia from making major inroads in the area of cash sales. Second, the United States capitalized on the performance of U.S. weapons systems in the Gulf War (and the arms sales commitments made in the process of

building the anti-Iraq coalition) to secure major sales to Saudi Arabia, Kuwait, the United Arab Emirates, Taiwan, and other cash paying customers in the developing world. There is no question that France, the United Kingdom, Russia, and other suppliers have made aggressive efforts to market their systems to foreign customers, but the reality is that when it comes down to actual sales none of them have had anything near the levels of exports achieved by U.S. firms in recent years.

Table I
Deliveries of Major Weapons Systems, 1992

<u>Country</u>	<u>% of Total Deliveries</u>
United States	46%
Russia	11%
Germany	10%
China	9%
France	6%
United Kingdom	5%
Total, Top Six Suppliers	<hr/> 87%

Source: Ian Anthony, Paul Claesson, Elisabeth Skons and Siemon T. Wezeman, "Arms Production and Trade," in SIPRI Yearbook 1993: World Armaments and Disarmament (New York: Oxford University Press, 1993). Data covers deliveries of major weapons systems such as aircraft, armour and artillery, guidance and radar systems, missiles, and warships.

Table II
Arms Transfer Agreements with the Third World, 1992

<u>Country</u>	<u>% of Total Agreements</u>
United States	57%
France	16%
United Kingdom	10%
Russia	5%
Germany	3%
Spain	2%
Total, Top Six Suppliers	<hr/> 93%

Source: Richard F. Grimmett, Conventional Arms Transfers to the Third World, 1985-1992, (Washington, DC: Congressional Research Service, 1993).

It is interesting to note that China, which has often been labeled a "rogue proliferator" because of its sales of missiles and missile technology to clients in the Middle East and South Asia, is barely a player in the conventional arms market, accounting for less than one-half of one percent of all new sales to the Third World in 1992.

United States dominance of the world arms market is likely to continue for the foreseeable future. The Defense Security Assistance Agency has estimated that U.S. foreign military sales will exceed \$31 billion for Fiscal Year 1993, the first time U.S. sales have broken the \$30 billion barrier.

Given this overwhelming superiority in the arms sales field, it is incumbent on the

United States to take leadership in bringing about a multilateral system of arms transfer controls. This is true not only on moral grounds, but also because it is manifestly in the United States' interest to limit the flow of arms in this new, volatile period in world affairs.

One of the clearest reasons for limiting U.S. arms sales is to keep them out of the hands of potential U.S. adversaries. As Representatives Berman and Lantos and your colleagues pointed out in your letter to President Clinton on this subject last summer, the last three times the United States has sent troops into combat in significant numbers – in Panama, Iraq, and Somalia – they faced opponents who had received U.S. weapons or U.S. military technology in the period leading up to the conflict. The particulars of each case were different, but the end results were depressingly similar.

In Panama, the regime of Manuel Noriega had received significant U.S. military aid and training throughout the 1980s, so that by the time President Bush decided that Noriega was no longer a "friend" but rather an international outlaw, the fighting capabilities of his armed forces had already received a substantial boost from our own government.

In the case of Iraq, the issue was not the transfer of entire weapons systems, but rather the approval of nearly \$1.5 billion in dual use technology exports, many of which were used in the production of missiles, howitzers, and cluster bombs or applied toward Iraq's quest to build weapons of mass destruction.

And in Somalia, beginning at the end of the Carter Administration and running through the late 1980s, the Siad Barre regime received a total of nearly \$300 million in United States military aid on the grounds that these transfers would foster "stability" in

the Horn of Africa and provide reliable U.S. access to Somali military facilities in the event of a U.S. military intervention in the Middle East. Little or no attention was paid to the impacts of these weapons transfers on Somali society. Barre was a vicious dictator who not only repressed his own people but helped run Somalia's already struggling economy into the ground, sowing the seeds for the civil war that removed him from power and brought on the state of armed chaos that still reigns there. Some of those U.S. military supplies – which included military trucks, armored vehicles, land mines, recoilless rifles, and other small arms – found their way into the hands of the rival factions that confronted U.S. forces when they arrived in Somalia in December of 1992. The role of U.S. arms in fueling instability and conflict in Somalia should provide a cautionary tale about the dangers of providing even relatively "small" arms to dictatorships in the Third World.

In my recent analysis and writing on this subject I have argued that this "boomerang effect" – the incidence of U.S.-supplied arms being used against U.S. forces in battle – is likely to occur more frequently in the years to come. For all of its faults, the Cold War system of military alliances provided some rough predictability about who would be arming which side in a given conflict, and how those weapons might ultimately be used. In the world we live in now, where alliances, governments, and even national boundaries are increasingly up for grabs, it is virtually impossible to predict how weapons contracted for today will actually be used five or ten years down the road. Given this uncertainty, the safest, most secure course is to limit arms supplies to regions of potential conflict rather than relying on increasingly outmoded conceptions of arms transfers as reliable instruments of influence or elements in a carefully crafted balance of

power.

Even when U.S. arms are not used against American troops in combat, they can still pose serious threats to U.S. interests by fueling regional arms races and prolonging local and regional conflicts. Of the 48 current conflicts that I mentioned at the beginning of this my testimony today, more than 36 of them involve parties that have received some U.S. weapons and training during the period leading up to the war. In some instances those sales have been relatively small, as was the case with the roughly \$15 million per year in U.S. sales arms sales to Yugoslavia during the 1980s. But in other conflicts, as in Somalia, the Sudan, Angola, Liberia, and Afghanistan, U.S.-supplied arms have played a central role in sustaining violent civil wars that have in turn threatened to destabilize entire regions. Even in cases where the volume of U.S. sales has been fairly modest, the willingness of the United States to sell arms and military technology has often had symbolic importance in legitimating arms sales rather than arms restraint to areas of potential conflict.

In some cases, U.S. arms have been used in ways that were never intended at the time that they were provided. For example, Afghan rebel forces have reportedly been selling their U.S.-supplied Stinger missiles on the world market, even as they provide arms and training to Islamic fundamentalist forces in Algeria, Egypt, and the former Soviet republic of Tajikistan. U.S. intelligence officials have been so concerned about the Stinger missiles in particular – a shoulder-fired missile that can be used, for example, to shoot down a civilian airliner – that the New York Times, the Wall Street Journal, and the Washington Post have all reported details of a CIA plan to devote tens of billions of dollars to a fund to buy back the missiles from Afghan rebel forces, often at more than

twice their original price. Apparently this effort has been only partially successful, both because the Afghan rebels want to keep some of the missiles for themselves, and because there are so many other willing buyers.

Finally, and most importantly for the long-term, U.S. arms sales can contribute to a regional arms race dynamic that serves to elevate both the levels of tension and the quantity and quality of armaments available in regions where U.S. forces are most likely to be employed. Secretary of Defense Aspin's recent bottom-up review of U.S. defense forces highlighted possible conflicts with ambitious regional powers like Iraq or North Korea as among the most likely contingencies that U.S. forces need to be prepared for in the years to come. These two regions – the Middle East and Asia – are also the largest markets for imported arms; and the United States is the leading supplier to each of these areas. Even when U.S. military technology is not supplied to a potential adversary, as happened in the case of Iraq in the 1980s, U.S. arms sales can help to fuel a regional arms race dynamic. Iran's \$2 billion or so in annual weapons purchases are made in part with an eye towards the tens of billions of U.S. arms that have been purchased by Saudi Arabia in the past few years. U.S. sales to South Korea, Taiwan, Singapore, Malaysia, Thailand, and other regimes in Asia are part and parcel of the process that has transformed that region into the fastest growing arms market in the world.

Rather than arming our allies in these regions at a rapid clip and then turning around and pointing our fingers at their regional adversaries when they restock their arsenals, U.S. security would be better served by pressing for limits on sales to these regions of potential conflict. This can be approached both from the supply side and the demand side, by working with the major suppliers toward a multilateral restraint regime

and by promoting regional talks on confidence building, transparency, and arms reductions. The net result would be lower levels of tension and armaments in the regions of most concern for U.S. security, which would in turn open the door to further reductions in U.S. military forces and defense budgets. The alternative – fueling regional arms races and then building up U.S. forces to deal with the threats that emerge from them – amounts to a misguided policy of helping to create or augment the very threats that our own military expenditures are designed to address.

The Role of Economics and Defense Industrial Base Considerations

Given the dangers of conventional arms proliferation that I have outlined so far, I would argue that economic considerations should play at best a secondary role in arms transfer decisionmaking. After it has been determined that a given sale meets U.S. security interests, then it may be appropriate to analyze its economic effects and to seek ways to carry out a transaction in a fashion that maximizes its domestic economic benefits. Unfortunately, as the impressive economic lobbying campaign carried out by McDonnell Douglas and other major contractors on behalf of last year's F-15 sale to Saudi Arabia has made painfully evident, economics has become a driving force behind key arms sales decisions that have tremendous potential impacts on the future possibilities for limiting weapons flows to regions of conflict. This emphasis must be reversed.

By even the most generous accounting, arms sales represent a very small component of national employment and income. Even in a boom year, employment related to arms exports represents on the order of 350,000 jobs, or less than one-half of one percent of the nation's total work force. A 1992 Congressional Budget Office study,

Limiting Conventional Arms Exports to the Middle East, found that under a plan to reduce arms purchases by Middle Eastern nations by roughly one-half, about 75,000 defense industry jobs would be eliminated. While these jobs are obviously of vital importance to certain communities and certain workers, preserving them should not be the goal of our arms export policy. Instead, vigorous efforts should be undertaken to promote conversion of military industry to civilian production, and to the promotion of civilian exports and products that can produce well-paying jobs for the long-term. As Undersecretary of Defense William Perry has pointed out, to the extent that the defense industry pursues arms sales as a way to preserve jobs and production lines, it will merely be "postponing the consolidation and downsizing their industries should be going through."

If arms exports aren't needed to bolster our overall economy, what about the defense industrial base? There are two points to be made on this issue. First, the size of our defense industrial base must be determined by a realistic assessment of the potential threats to U.S. security in the years to come. Now that the Soviet Union is no longer a rival superpower, the U.S. enjoys an unparalleled advantage in arms technology and arms production capabilities over any conceivable combination of adversaries. The conventional armaments in our current arsenal, with ongoing upgrades, are more than adequate for the defense of the nation. The kinds of surge capacity that were envisioned when U.S. strategic plans envisioned a possible global confrontation with the Soviet Union are simply not necessary when the greatest threat on the horizon is the prospect of doing battle with a regional power like Iraq. In short, we may not need as large or as ready a defense industrial base as was the case during the Cold War.

The second point is that even if there is a national consensus on the need to maintain certain kinds of defense production capabilities, exporting arms is the worst possible way to maintain those capabilities. As I noted earlier, contributing to regional arms races through unrestrained U.S. arms exports increases the potential threats faced by U.S. forces, thereby putting a greater strain on defense budgets and the defense industrial base than would otherwise be the case. In cases where a given production capacity is deemed necessary to the national defense, it would be far preferable to support low-rate production, or to keep key facilities on standby status, or to make greater use of commercial technologies in defense systems, than it would be to rely on arms exports as a way to sustain the defense industrial base.

Outlines of a New U.S. Arms Transfer Policy

The outlines of a new arms-transfer policy should be built around three principal themes:

- 1) A priority emphasis on arms-transfer controls as a central tool for conflict prevention and threat reduction in the post-Cold War era;
- 2) A commitment to increased accountability in the arms-transfer decisionmaking process, so Congress and the public have a voice in deciding which countries or groups this nation is arming;
- 3) A reversal of the economic incentives to export weapons that have been built into the administrative machinery of the United States government over the past twelve years.

On the first point, regarding the strategic importance of arms transfer reductions, the Clinton Administration should move to revive and reinvigorate the talks among the world's leading arms supplying nations that came to a standstill late last year. Ideally, the talks should include the original five participants (the United States, France, China, the United Kingdom, and Russia) along with Germany, which has moved into the ranks of

the top suppliers in recent years. But even if China cannot be brought on board immediately, the other five suppliers, who control roughly 80% of the world arms market, should proceed with new talks. The goal of the talks should be not only to exchange information and come to agreements in principle on what represents a destabilizing or undesirable export, but also to promote concrete reductions in exports of offensive weaponry to regions of potential conflict. The two key regions to start with would be the Middle East and Asia, and the weapons targeted for restrictions could be the kinds of major combat systems dealt with in the Conventional Forces in Europe treaty. A second track of the discussions could deal with the possibility of limiting or banning outright the export of inhumane weapons like anti-personnel land mines and cluster bombs, and proposals in this regard could be brought up in larger multilateral fora like the United Nations Committee on Disarmament in Geneva. Supplier talks should also be used as a forum to press for limits on coproduction and licensing arrangements which spread arms manufacturing technologies to developing nations. Finally, these supplier initiatives should be linked with diplomatic efforts to encourage regional confidence building and disarmament discussions that could help to reduce the demand for arms in areas of potential conflict.

Given the potential for arms trading to fuel regional arms races and to pave the path toward U.S. involvement in overseas conflict, it is critically important that a review of conventional arms transfer policies include strong provisions for greater accountability and openness in the realm of arms transfer decisionmaking. From Iran/contra to Iraqgate, we have witnessed the damaging consequences of excessive secrecy in arms transfer policy. The best way to prevent similar policy fiascos in the future is to expose these

decisions to the light of greater public and Congressional scrutiny. Covert arms sales should be phased out as an instrument of national policy, and in cases where the President deems it necessary to engage in secret sales, notification to Congress should be more timely and more detailed. Licensing decisions on exports of dual use items such as advanced machine tools, computers, and other technologies with applications to arms manufacturing should be made public, not shrouded in claims of confidentiality.

For sales of major conventional weaponry, greater openness and accountability is needed as well. A good place to start would be by making fuller reports to the United Nations Register of Conventional Arms. This year's U.S. submission to the register was grudging, to put it mildly – it included only overall numbers on generic types of weapons delivered, with no detail as to the specific systems involved. This minimalist report undercut the spirit of transparency that motivated the formation of the register in the first place, and it made it difficult for the United States to encourage other nations to report as fully and accurately as possible in their own submissions to the register. In addition to more enthusiastic participation in the UN arms register, the Executive Branch and the Congress should set higher standards about which nations receive conventional arms from the United States. Nations that violate the human rights of their citizenry or engage in aggression against their neighbors should be subjected to greater levels of scrutiny before they are granted access to U.S.-supplied weaponry.

Finally, it is essential in pursuing arms transfer restraint that we put our resources where our rhetoric is. If, as the preamble to the Arms Export Control Act states, it is to be the policy of the United States to "exert leadership in the world community to bring about arrangements for reducing the international trade in implements of war," then we

should scale back the extensive "arms export infrastructure" that has been woven into the fabric of our government. That means reducing the nearly \$5 billion per year that our government spends to directly or indirectly subsidize weapons exports, and encouraging other suppliers to cut back their subsidies as well; and cutting back on the use of government funds, publications, or personnel to promote arms sales, including strict limits on the use of military personnel at international air shows. The Clinton Administration has taken some promising steps in this area, by limiting direct DoD participation in this year's Paris Air Show; calling for the elimination of the Special Defense Acquisition Fund, a Reagan-era mechanism for subsidizing arms exports; and coming out against industry efforts to create a new arms export loan guarantee fund. These individual steps should be brought together into a comprehensive emphasis on taking resources out of arms export promotion and reinvesting them in the promotion of civilian products and exports.

In closing, I would like to thank Chairman Berman, Chairman Lantos and the members of the subcommittees for this opportunity to testify, and I commend you for your ongoing efforts to promote an informed national debate on this issue.

Testimony of William B. Inglee

before

The Subcommittee on International Security,
International Organizations and Human Rights

and

The Subcommittee On International Operations

Committee on Foreign Affairs
U.S. House of Representatives

November 9, 1993

Mr. Chairmen, Members of the Committee on Foreign Affairs:

Thank you very much for allowing me to appear before you today to discuss the issue of conventional arms transfers. This is an extremely important subject which affects both the regional security environment of our key allies and friends, as well as the United States' own overarching national security policies and relationships.

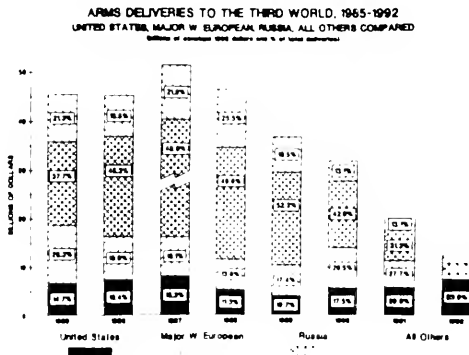
Before proceeding further, I would like to note that while I was personally involved in two Bush Administration initiatives in the conventional area, the P-5 process and the Arms Control and Regional Security Working Group of the Peace Process, I do not intend to address my remarks in any specific way to those two sets of discussions. I have two reasons for this: the first being the confidentiality of the discussions themselves; and the second being the Subcommittees' own charter for these hearings--an expansive and thoughtful assessment of where we stand today in this important area, and what policy options we might pursue to sustain the current decline in conventional arms transfers. I would also like to note at this time that I am very indebted to my friend and former colleague at the Congressional Research Service, Dick Grimmett, for much of the open source data I will use today in my remarks. For the past three years, most of my access to arms transfer data has been in the classified area; while this data is available to Committee members, it is obviously not appropriate for

discussion in an open session.

DISCERNING THE TRENDS

In keeping with the desire of both Subcommittees to broadly view the issue of conventional arms transfers, I would like to focus on key trends in this area and then offer my own assessment of what I think these trends mean.

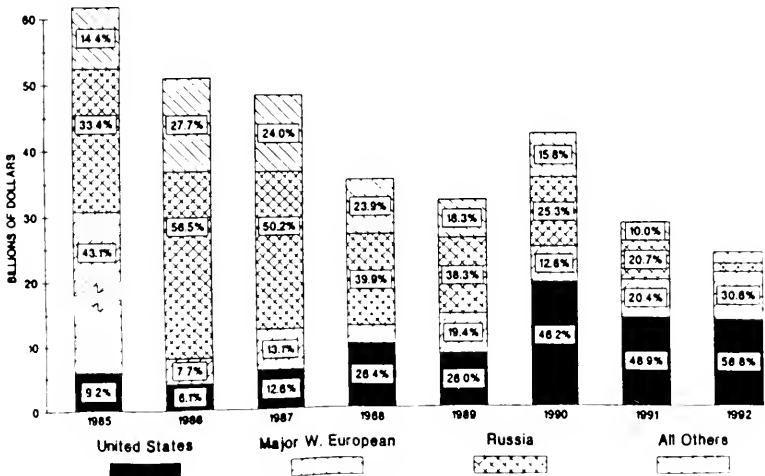
First, overall arms transfers to the Third World are declining dramatically, whether measured in terms of actual deliveries or new agreements. When measured in terms of actual deliveries, conventional arms transfers have declined steadily since 1987 when they were valued at well over \$50 billion dollars. This compares to 1992, when deliveries were estimated at about \$13 billion. Of note is the fact that while the US percentage of these declining deliveries grew in the 1990's, the value of US deliveries in 1992 in constant dollars is roughly approximate to the value of US transfers in 1987 (\$7-8 billion) when the United States occupied only a little over 16% of the arms transfer market.



Source: Congressional Research Service

A similar declining trend line is also reflected in data on the dollar value of conventional arms transfer agreements signed since the mid-1980's. With the exception of the Gulf War spike of 1990, the overall value of conventional arms transfer agreements with the Third World has declined since 1985.

CHART 1
ARMS TRANSFER AGREEMENTS WITH THE THIRD WORLD, 1985-1992
 UNITED STATES, MAJOR W. EUROPEAN, RUSSIA, ALL OTHERS COMPARED
 (billions of constant 1992 dollars and % of total agreements)



Source: Congressional Research Service

A second important trend is the dramatic reduction in Russian arms deliveries and agreements with the Third World in recent years. Since 1986, when Russian conventional arms transfers peaked at \$28.8 billion, Russian arms transfer agreements have plummeted to \$5.9 billion in 1991 and to \$1.3 billion in 1992. This staggering decline has had two important effects, one negative

and one positive. First, today's Russia--economically strapped and still mired in its transition from a command economy to that of a free market--is a desperate arms merchant in the international market. Even pro-democracy Russians have found it extremely difficult to end Russian transfers of high technology/high quality conventional systems to irresponsible recipients like Iran and China. As a result, in the past four years Russia has replaced China as Iran's principal conventional arms supplier, and become a worrisome source of advanced conventional weapons technology for China.

However, an important positive consequence of Russia's dramatic decline in conventional arms transfers in recent years is reflected in the large number of former Soviet clients like Cuba, Vietnam, North Korea, Syria, Libya and Iraq who are now largely unable to purchase major conventional platforms in the international marketplace.

This leads us to a third important trend. With the exception of Iran, conventional arms transfers specifically to those Third World states most likely to threaten the security of their neighbors or the United States have been declining as well. For example, when arms deliveries to such countries (most of which fall on the US terrorist list) for 1985-1988 are compared to 1989-1992, Vietnam has fallen 64%, Cuba 58%, Syria 46%, and Iran 50%. Iraq and Libya are virtually nil. These declines reflect a combination of increasingly hard Russian terms for new purchases, weak internal economies in these nations, and relatively successful

isolation/denial by Western democratic suppliers. This trend is likely to continue since all three contributing factors are likely to remain constant. Furthermore Russian conventional assets even when available to a hard currency paying country like Iran are likely to be devalued over time as support/spare parts/upgrade capabilities erode along with the collapsing Russian military/industrial base.

Another key development, as opposed to past trend, is the attempt by China to enter the conventional arms sale arena as a major exporter. Though China is still, in relative terms, a limited conventional arms supplier to the Third World, the Chinese government--primarily under the direction of the Chinese military--clearly wishes to expand conventional arms sales abroad. Indeed, Chinese views of conventional arms limitation agreements generally rest upon a demand that, regardless of any cap which might be placed on aggregate global or regional sales, China must be given a "market share" well above its current export levels so that it can, in effect, "grow into it".

The final key trend I would like to speak to today is the increasing dollar value of US conventional arms transfers to the Third World in recent years. As Charts I and II illustrate, the dollar value of US conventional arms deliveries and new agreements have increased in recent years, particularly to the Gulf region both during and following the Gulf conflict. Without question the US now dominates the remaining Third World conventional arms market, with a market share approaching nearly 60% in both 1992

deliveries and 1992 new agreements. Furthermore, US arms transfer agreements continue to be focused on the Middle East, constituting approximately 60% of all sales to that region in the 1989-1992 period.

The question for you of course is whether this trend should trigger alarm bells here in the Congress. In my view it should not for a number of important reasons. First, a significant portion of recent sales can be attributed to the Gulf War. For example, actual Saudi and Kuwaiti purchases in 1992 centered primarily on the acquisition of Patriot missile batteries by Saudi Arabia and Patriot and Hawk missile batteries by Kuwait. The other major sale in 1992 was Taiwan's purchase of 150 F-16's to replace its aging combat air fleet. Together, the Saudi, Kuwaiti and Taiwanese purchases accounted for 86% of US sales in calendar year 1992.

Furthermore, I believe that the current US arms transfer process--of which Congress is a key part--not only works, it works extremely well. Overall, US sales are not destabilizing in nature: they respond to legitimate defense requirements, they are subject to careful review both within the Administration and the Congress, and transfers to the most dangerous states today--such as Iran, Iraq or Libya--are specifically prohibited. It is worth noting that in calendar year 1992 the US Congress had a direct and extremely meaningful role in reviewing nearly 60% of all conventional arms sales to the Third World, as opposed to only 9% in 1985.

Finally, an important fact to bear in mind is that while the

dollar value of US arms sales and deliveries has increased, the unit delivery rate is low relative to other suppliers. Moreover, as a result of high costs, the number of countries able to purchase advanced US military hardware in large numbers--particularly major weapons systems like high performance combat aircraft and main battle tanks--is significantly decreasing.

VALIDATING KEY POLICY ASSUMPTIONS

In order for the Members of the Committee to draw the most value from recent conventional arms transfer trends, it is critical to develop certain congressionally agreed upon policy assumptions. These policy assumptions should be predicated on the answers to the following key questions. First, are conventional arms transfers legitimate, and if so under what circumstances? Second, what are the likely security threats to our friends and allies in the future? And third--without entering into the heated discussion over UN control of US armed forces--will multinational military responses to serious security threats to the United States and/or to our friends and allies be increasingly likely in the future?

While the transfer of Weapons of Mass Destruction (WMD) continues to be delegitimized in the international arena, this is not the case with respect to conventional arms transfers. There remains a strong consensus in the international community and in the United States government--and I believe in the US Congress--that certain conventional arms transfers are legitimate and justified. To date, international interest in the conventional arms transfer area is focused primarily on increased transparency,

such as the recently instituted UN Transparency in Armaments reporting requirements. Even those countries calling for limits on conventional arms transfers rarely question this critical assumption.

As Members of Congress representing the American electorate, you are ideally placed to determine how strong public support is at the present time for continued US conventional arms transfers to friends and allies. In this regard, revalidating this critical assumption will be an essential task for the Committee on Foreign Affairs.

An arms transfer control regime which is insensitive to legitimate national security requirements by friends and allies, will not only affect their ability to defend themselves from their potential adversaries, but it may also inadvertently undermine one of the key underpinnings of our own security relationships with them. In this respect, a NATO analogy is useful. The NATO burdensharing debate was in many respects drawn directly from a strong presumption by the American people--best embodied here in the Congress--that while we would willingly commit great resources and military power to the defense of Europe, Europeans in turn had a concomitant obligation to meet their own defense requirements to the best of their abilities. In the new international environment of the post-Cold War, I believe it will be more important than ever to insure that key friends and allies are able and willing to do their part in their regions to insure stability. Failing that, nascent American isolationism may justifiably draw attention to the

inequalities of capabilities and responsibilities between ourselves and our friends and allies.

In this respect, at the risk of stating the obvious, regional threats still exist, as was reconfirmed by Secretary of Defense Aspin in his recently released Bottom Up Review. States such as Libya, Iraq, Iran and North Korea still pose a threat to both the national security interests of the United States and those of our allies and friends. This reality will continue in the near term, and as a result, key friends and allies will continue to make legitimate requests of the United States for the sale of conventional military hardware. In the future, this situation may be exacerbated by unconstrained WMD proliferation in countries like Libya, Iraq, Iran or North Korea. Neighboring countries bound by their commitments to WMD regimes like the NPT, the Biological Weapons Convention, and the Chemical Weapons Convention, will only have their own conventional weapons (and in the case of our friends and allies, the United States) to rely upon to deter either non-parties to these WMD regimes, or cynical parties who may attempt to cheat on these agreements.

Finally, as Desert Storm illustrated, successful joint military activities require cooperation, highly trained troops and interoperable capabilities. Standardization and rationalization of combat capabilities is not, in and of itself, enough to assure the success of a multinational military undertaking. But it is an essential underpinning. In the future, if multinational military operations become more common, the preexisting commonality of

systems offered by US conventional assets will be a significant built-in advantage for multinational military units attempting to achieve military objectives.

RECOMMENDATIONS FOR ACTION

On balance, I believe that destabilizing conventional arms transfers the Third World should continue to decline in the future. As noted already, I believe there are a number of key facts that support this. They include: the anemic economic state of many of the world's most dangerous states, the ongoing collapse of the Russian military industrial complex, the tendencies of democracies themselves to be self-regulating in that they base their requirements on rational defensive assessments of the threat, and the high cost of advanced conventional systems.

At the same time, however, there are countervailing developments that give reason for serious concern. As already mentioned, key adversary states still remain and they continue to be intent upon acquiring advanced military systems across the full conventional and weapons of mass destruction spectrum. Russia--at least for the present--will be an undisciplined and potentially destabilizing conventional weapons supplier for virtually any country that does not have access to higher quality western military equipment. China will continue to view conventional arms transfers as an untapped economic market waiting to be exploited. As in the case of weapons of mass destruction and their means of delivery, China will be an irresponsible conventional arms supplier, unless checked by the international community. Finally,

despite recent political successes, the Middle East remains an unstructured security environment, characterized by subregional tensions which are not being addressed by the current Arab-Israeli peace talks. As a result, demand for conventional weapons in this region is likely to remain high, constrained largely by cost, US domestically imposed restraints (i.e. Section 40 of the Arms Export Control Act), and preexisting embargoes (i.e. Iraq and Libya)

A recommended course of action for US policymakers should specifically target each of these destabilizing factors. I believe such an approach should have four complementary elements.

1) "Americanize" the International Arms Transfer System: The United States should press relentlessly for the adoption of key elements of the American system of arms transfer review by the international community, with primary emphasis on prior consultation and notification. Secret transfers to dangerous states, non-transparent to the international community and destined to be "discovered" after the fact, are singularly destabilizing in that they feed uncertainty, insecurity and mistrust. Key suppliers like Russia and China must be brought under a regime which at minimum requires a supplier to reveal its arms transfer intentions to other key international actors prior to transfer. Firm diplomatic pressure should be used to bring China into this regime, and clear costs should be identified at the beginning of discussions with the Chinese so that the "opportunity costs" of Chinese non-participation in such a regime will be clear.

2) Multilateral "Nunn-Lugar" for Russia: Russian conventional arms

sales today are non-ideological, devoid of a specific strategic design, driven almost solely by the failing Russian economy and the inability of the Russian government to design a viable transition strategy for the Russian military-industrial complex. Unlike China, Russia is willing to adapt to Western norms of responsible arms transfer, but in the near term is only able to do so if the economic damage of such a policy is minimized. Other nations in the global community have a vested security interest in facilitating the downsizing and conversion of the Russian military complex, and as a result should bear the principal financial responsibility for such an undertaking.

3) Develop an International Presumption of Denial to Pariah States:

As difficult as it may be to achieve international consensus on a list of states to which the principal arms suppliers will deny conventional arms sales, this type of focused approach still outvalues broad quantitative ceilings or declining market share approaches to limiting conventional arms transfers. State specific presumption of denial has already proven its worth in countries like Libya and Iraq. Further such a policy is simpler to implement and monitor, and has a higher moral authority than broad non-specific constraints (which may inadvertently deny aid to a friendly country with a legitimate and perhaps critical defense need). And in today's new security environment, such an approach offers a more defined symmetry with the specific security threats facing the international community.

4) Advocate a Demand Side Arms Control Negotiation in the Middle

East: The United States should use recent political progress in the Middle East to maximum advantage. Numerous states in the region are interested in, and have a sophisticated knowledge of, traditional arms control. The key of course is political progress, and it alone can unlock the door to meaningful discussion about Middle East security by the Middle Eastern states themselves. I believe that the door is currently, if not open, at least ajar. The United States should advocate the establishment of broad regional security discussions, perhaps building upon the Arms Control and Regional Security Working Group of the Peace process, to discuss all aspects of Middle East security. These discussions should not focus solely on the Arab-Israeli security relationship. Rather they should recognize the essential nuances and security differentiations within the broad region, encouraging discussions in the sub regional context--such as the Gulf or in North Africa--as well as the core region surrounding Israel. Broad confidence building measures should highlight the initial stages of these discussions.

CLOSING REMARKS

Mr. Chairmen, Members of the committee, I hope my comments and observations on the issue of conventional arms transfers will be of use to you in your future work. As you may have noted, I did not spend a great deal of time on conventional arms transfer regimes based on monetary caps, platform based limitations, or "market share" approaches to regulating and decreasing conventional arms transfers to the Third World. I personally feel that such

approaches are unlikely to yield high value, rational and stabilizing changes in regional security balances.

I would also encourage the Committee to explore new, innovative, non-traditional ideas in this area, such as work being carried out by Ken Wattman and Marcy Augmon of the RAND Corporation. Their ideas on limiting specific high leverage technology versus high cost platforms is certainly worth exploring.

As you already know, this is an extremely difficult issue and none of the proposed solutions are easy. But I also believe we are at a watershed full of opportunity. Therefore the Committee's consideration of this issue could not be better timed.

TESTIMONY

ANNA STOUT

~~EXECUTIVE VICE~~ PRESIDENT

OF THE

AMERICAN LEAGUE FOR EXPORTS AND SECURITY ASSISTANCE

BEFORE A JOINT HEARING OF THE

INTERNATIONAL OPERATIONS AND INTERNATIONAL SECURITY,

ORGANIZATIONS AND HUMAN RIGHTS SUBCOMMITTEES

OF THE

COMMITTEE ON FOREIGN AFFAIRS

ON

NOVEMBER 9, 1993

Thank you Mr. Chairman for the opportunity to submit my Statement for the Record today.

I am the Executive Vice President of the American League for Exports and Security Assistance (ALESA). Founded in 1976, ALESA is a non-profit organization that encourages and supports the export of American defense goods and services, so long as those exports are consistent with national policy.

I have been dealing for a considerable period with the issue of arms sales, both in government and in private industry. My experience has shown me that it has been and continues to be in the U.S. national interest to have an arms export policy that allows friends and Allies to acquire American-made defense articles and services. The sale of arms, at its core, is the "currency" of diplomacy. By that I mean, the transfer of arms by one country to another represents one of the most fundamental transactions between nations.

It connotes a high level of trust, solidarity and a coincidence of the most elemental concern between two nations, that of self-defense. And when those transfers occur between the U.S. and those nations allied with our goals and interests, the cause of liberty is strengthened.

Consider the role played by U.S. arms sales in strengthening the Atlantic alliance in our collective effort to contain and ultimately secure victory in the Cold War. Italians and then-West Germans flew American made F-100s, F-104s and F-4 Phantoms. Greek and Turkish tank crews operated U.S. M-41s, M-47s and M-60s. Our cooperation with our Allies served notice to potential enemies of our willingness to defend one another. Deterrence was strengthened.

The ability of the U.S. to share with our allies the means to defend themselves, at a time when they were incapable of doing so independently, was a critical determinant in our collective effort to contain the Soviet threat.

Another example of the positive role played by a constructive arms sales policy is that of the Camp David Peace Accords signed between the governments of Egypt and Israel. That agreement was, in large part, cemented by a U.S. commitment to provide tens of billions of dollars in military assistance to the two signatories. Security assistance was used, in this case, to bind the peace that had been agreed upon and to ensure that both parties were confident of their respective ability to defend themselves, to be their own guarantors. What progress has been made to date in building upon the Camp David Peace Accords owes much to the U.S. security assistance provided to Egypt and Israel.

Today, the specter of Soviet aggression is gone. People in some quarters correctly question whether the rationale underlying

our fundamental arms sales policy has also disappeared. I wish only that all active and latent threats to our security and that of our allies disappeared along with the Soviet Union. An even cursory assessment shows that threats to our security and that of our friends, Allies and interests remain.

It is readily apparent that what we considered to be secondary and tertiary threats around the world during the Cold War, and often viewed through a Cold War lens, have, if anything, exploded to the forefront. Long simmering territorial, cultural and economic disputes have risen and are rising from long periods of dormancy made possible by the Cold War.

These threats to our national security remain real so long as our national interest continues to be defined, in part, by the security of our friends, Allies and interests that often are far from our borders. And because this definition of national interest is likely to be accepted for the foreseeable future, our nation will continue to be called upon to provide security assistance to peoples and governments whose aspirations coincide with our own.

The press reports that our government has provided IFF (Identification-Friend or Foe) transponders to at least one East European government to be used on their Soviet-built aircraft. Other former Warsaw Pact nations are scheduled to receive surplus U.S.-built military transport aircraft. Hungary may soon request access to some of the non-lethal equipment in Europe we do not plan to return to the continental U.S.

President Clinton has told reporters that he wishes he could lift the arms embargo on the embattled Bosnian government locked in a struggle for its very survival in the enclave of the former Capital City of Sarajevo. In very real ways, arms sales and other forms of security assistance are understood by government officials to be critical tools in our nation's ability to stave off the advances of those bent on goals inimical to our interests and to help our friends and allies secure and maintain the peace.

There are those who maintain that all arms sales are bad and that the United States should set an example for all other nations to follow by no longer selling defense articles and defense services to Allies and friends. I disagree. Let me explain why.

An arms sale does not take place in a vacuum. Every sale is surrounded by circumstances and related issues. For example, our longstanding defense cooperative ties with England are deservedly well-supported throughout government. Our arms sales policy with respect to England is inextricable from the larger, historical "special relationship" our two countries enjoy.

The question needs to be put to those who generally oppose arms sales; Should we stop selling arms to Britain? Israel?. And

what of Norway or South Korea? Japan? Does anyone believe we should refrain from transferring armored personnel carriers, helmets or radios to troops serving under the command of the United Nations in Bosnia, Macedonia, Cambodia or Somalia? I think we can all agree that sales to those countries and institutions--sales that support the security of those nations and our common defense--are in our national interest and serve to advance those principles we hold in high esteem and that those sales should be continued.

I would argue that the broad debate is not really about whether the US should provide arms, but to whom should we make arms available and under what circumstances. It is hard not to notice that some who charge: "Stop all US arms sales" in truth have in mind other aims. Those who say they oppose arms sales in general should be specific. Stop which sales? To which countries should we stop selling defense equipment and services?

Most often such opposition to specific sales is from opponents who are really arguing that specific countries are not worthy of buying or receiving U.S. defense equipment. Opponents of specific sales should not hide behind generalities, but should address the root of their opposition.

The world is still in the midst of adjusting to the ongoing, fundamental change moving through the global security environment. The dramatic lessening of tensions made possible by the successful conclusion of the Cold War has led to an overall decline in defense budgets. Government procurement of defense systems and services has also largely declined across the globe.

The Pacific Rim is the only exception. Flush with the fruits of far-reaching economic expansion, nations within Asia now have the means to acquire very capable military systems to defend their rapidly growing interests. The evolving political and military situation there, largely spurred by the disappearance of the Soviet Union, is far from having defined itself. The state of flux is the most distinguished characteristic in this region. Until such time as the region is able to settle into a more profound security, Asian countries will continue to invest against instability by obtaining more capable defense forces.

It is alleged that the United States has captured the world arms market. This characterization is flawed.

The reason is that Soviet-built weapons are no longer provided to countries around the world for little or no cost. The now defunct Soviet Union had for decades provided tens of billions in arms to its allies with little intent or hope of compensation. Yet the value of these transfers was always cited in statistics detailing the global defense trade. Russia's profound economic crisis means that even if the successor Russian government were politically inclined to do so, it is incapable of continuing that

give-away. As a result the U.S. share of the global arms trade has increased, relative to other suppliers, as Moscow has discontinued its historical give-aways in favor of cash and barter sales.

Russia is attempting to continue its sale of defense articles and services, but now for hard currency and to regions that are not imminent zones of conflict. Countries that once tolerated relatively low-technology, export-version, Soviet weapons for free are now unwilling to pay Russia market prices for even more capable versions now being offered. The highest levels of Russian military technology are now for sale at low prices. Even so, the sales are hard to come by for buyers, like China, often accept Russian defense systems in barter arrangements with little cash transferred.

However, potential foreign buyers of Russian hardware continue to perceive Russia as incapable of providing proper levels of after sales support, a service they have come to rely upon from Western sellers and so crucial to today's complex system. In the case of a possible MiG-29 sale to Malaysia, it is India that may step forward as the guarantor of spares and support equipment. If other states like India and perhaps China, step forward as spare and support service middlemen, Russia may be more successful in its attempts to raise hard currency through the sale of defense articles and services.

The British, French, Germans, Chinese and Israelis constitute the bulk of the remainder of suppliers in the world arms market. All can export very capable, indigenously made military equipment and services. With the exception of the Chinese, they are all capable suppliers of sought-after, reliable military equipment. As their respective defense industrial bases shrink with lower domestic procurement, the governments face pressure to expand overseas sales. Many of their most lucrative sales are to countries restricted or limited from receiving U.S. items and services.

As the leader of the Western alliance for fifty years and as the NATO member with the greatest production capacity, it should come as no surprise that the United States has been the largest supplier of defense articles and services, Soviet grant transfers notwithstanding. Our world leadership role continues. And nations will continue to look towards us for assistance in ensuring their security. That security will, on occasion, take the form of requests for military equipment and services.

It is true that U.S. defense contractors are now looking overseas to make new sales. These companies are not looking to make sales that otherwise would not exist. We are looking to make those sales that otherwise would go to the defense industries of other countries. Foreign sales were accorded a low priority by U.S. defense companies while meeting the demands of the domestic U.S. defense build-up during the 1980s.

Of course, I am not advocating we pursue sales that are not in our national interest. I do not know of anyone who is. If we can agree that a particular sale of U.S. equipment would advance our national interest, then we should go all out to win that contract.

In today's environment, U.S. defense companies can ill afford to pass on the opportunities that have historically been granted to our friends and Allies. As our own domestic procurements continue to shrink, it becomes a matter of health to our defense industrial base that we compete for and win those sales which historically have by default gone to other suppliers

I would suggest to the Subcommittee that the world market for defense sales is a finite one. Only so many defense industrial bases can be sustained by the current level of world-wide defense procurements and R&D. If we do not make those legitimate overseas sales, we lose economic and national security advantages that will only too willingly be picked up by others to our ultimate disadvantage.

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